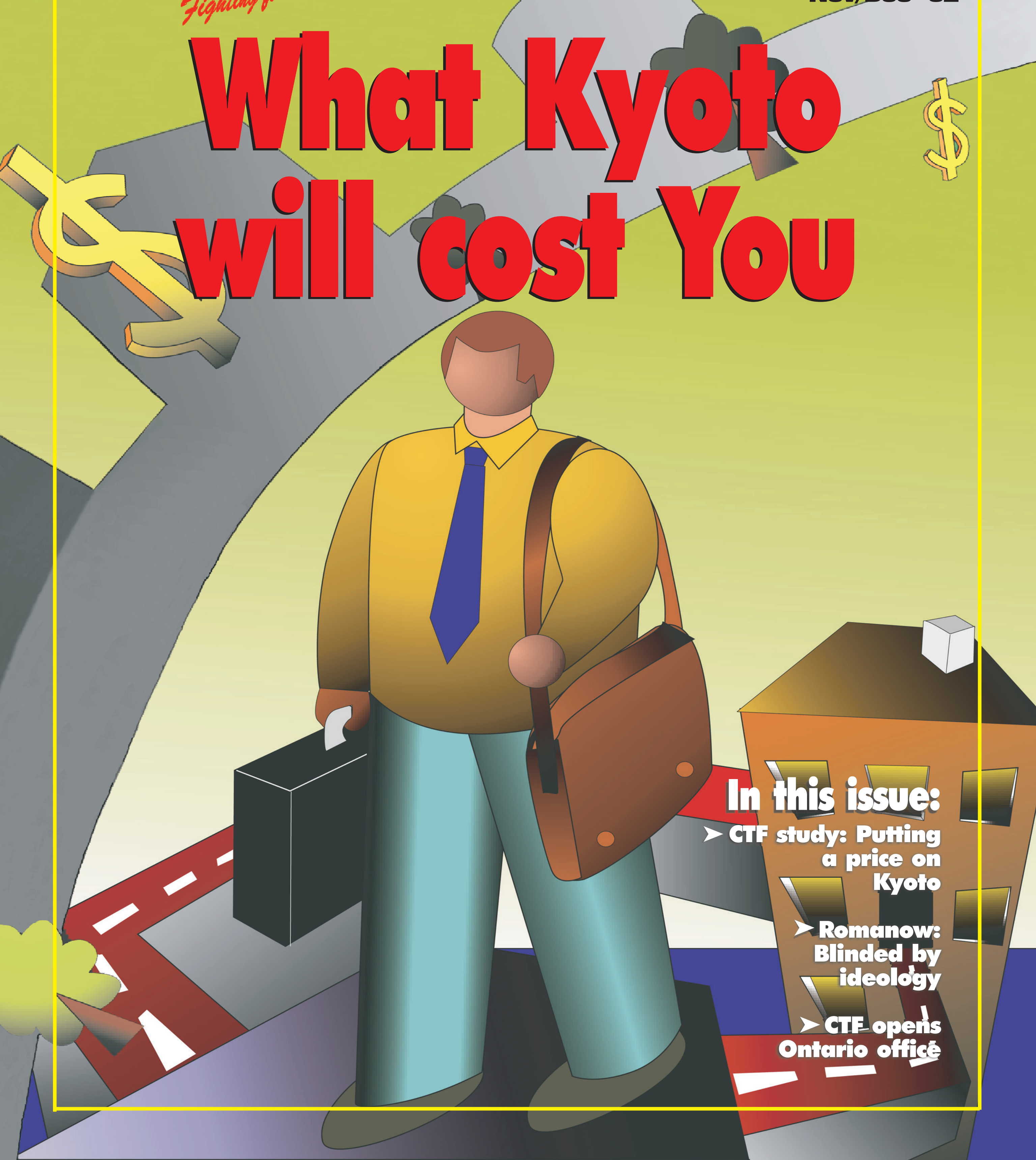
CANADIAN Taxpayers FEDERATION
Fighting for taxpayers

THE TAXPAYER

Nov/Dec '02

What Kyoto will cost You



In this issue:

- CTF study: Putting a price on Kyoto
- Romanow: Blinded by ideology
- CTF opens Ontario office

From the editor

Troy Lanigan is the CTF's
National Communications Director
tlanigan@taxpayer.com

2002 was a tremendous year of expansion for your CTF.

In March, we opened the Centre for Aboriginal Policy Change: a full time advocacy presence to monitor, research and provide alternatives to current aboriginal policy and court decisions. Already the Centre and its director Tanis Fiss are earning headlines across the country. In November, Tanis released a comprehensive position paper outlining nine major recommendations to reform aboriginal policy and early in the New Year will be doing a speaking and media tour across the country in its support. Look for a full feature in the January/February issue.

> **"2002 was a tremendous year of expansion for your CTF. In March, we opened the Centre for Aboriginal Policy Change ... In October, the CTF opened an office in Toronto."**

In October, the CTF opened an office in Toronto. It is our sixth communications office. As the story on page 23 and the sidebar on page 17 highlight, new director John Williamson is already very busy! Building our profile and influence in Ontario is grounded in supporter and revenue growth which will be a priority for your CTF in 2003.

Any expansion is not without trepidation. But like our decision five years ago to establish an office in the nation's capital we learned that expansion pays dividends. Your ongoing support and commitment means that the CTF will continue to grow as a national organization. We look forward to 2003.

■ ■ ■

Early in 2002 then BC-director Mark Milke proposed the CTF underwrite the publication of a book. We'd published dozens of reports and commentaries over the years but never a book. Thus, in a year of many bold initiatives, *Tax Me I'm Canadian – Your money and how politicians spend it* hit the store shelves in November (see page 12). This is the second book Mark has written. And we're glad he did.

To say the project has been a huge success would be an understatement. Before receiving the first hard copy we had enough orders from bookstores to cover our costs. And orders into our Regina office were so numerous we actually had to bring in extra staff to help fill them.

As noted in our last issue, Mark recently left the organization to complete a Ph.D. However, I'm pleased to say he is still involved with the CTF and more importantly, still writing! Thanks Mark for your vision. And thanks to you our supporters for your overwhelming support of this project.

Apologies

We apologize for this issue of *The Taxpayer* being late. An uncanny combination of staff ailments, family emergencies and major computer problems are to blame. The January/February issue is already well into production putting us back on schedule early in the New Year.

CANADIAN Taxpayers FEDERATION
Fighting for taxpayers

The Canadian Taxpayers Federation (CTF) is a federally incorporated non-profit and non-partisan organization dedicated to lower taxes, less waste and accountable government. Founded in 1990, the Federation is independent of all partisan or institutional affiliations and is entirely funded by free-will, non-receiptable contributions. All material is copyrighted. Permission to reprint can be obtained by writing the administration office. Editorial cartoons are used by permission. Printed in Canada. Post Office: Agreement number 1473506. Return all undelivered copies to: Canadian Taxpayers Federation, 105 - 438 Victoria Ave. East, Regina, Sask., S4N 0N7

Nov Dec 2002

In this issue

6 

Waste Watch
Fishing for Pogey in Atlantic Canada.

16 

What Kyoto will cost you
CTF releases commissioned study.

21 

What Kyoto will cost you
Saving lives or keeping activist greens happy?

23 

Open for Business
The CTF opens its Ontario office with a flurry of activity.

24 

The Romanow Report
Blinded by ideology.

28 

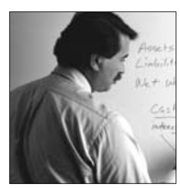
BC: Public service cuts long overdue
They should never have been hired in the first place.

32 

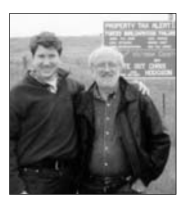
AB: Will Klein raise your taxes again?
The myth of "healthcare" taxes.

36 

SK: Mixed signals on Kyoto
Provincial government waffles on Kyoto in the form of government subsidies.

40 

MB: Business taxes hurt investment
Manitoba falling behind neighbouring provinces.

44 

ON: Fighting back
Central Ontario residents fight forced amalgamation and rising property taxes.

For more information or to contact the CTF:

Sask./Admin:	British Columbia:	Alberta:	Manitoba:	Ontario:	Federal:	Web site:
#105 - 438 Victoria Ave. E. Regina, SK S4N 0N7 (306) 352-7199	#604-1207 Douglas St., Victoria, BC V8W 2E7 (250) 388-3660	#410 - 9707 - 110th St., Edmonton, AB T5K 2L9 (780) 448-0159	#212 - 428 Portage Ave, Winnipeg, MB R3C 0E2 (204) 982-2150	PO Box 60 31 Adelaide St E, Toronto, ON M5C 2H8 (416) 203-0030	#512 - 130 Albert St., Ottawa, ON K1P 5G4 (613) 234-6554	www.taxpayer.com E-mail: canadian@sk.sympatico.ca

Letters-to-the-editor

Keep up the good work

Keep up the good work. You are an encouragement.

Cliff and Bernice Dridger
Camrose, Alberta

I think you are doing a fabulous job and a great service to this country. If only more Canadians could become enlightened by reading your magazine or checking out your web site, there might be hope for this country. Never give up.

Ted McGregor
Grande Prairie, Alberta

I just want to let you know how refreshing it is to see an organization dedicated to us, the taxpayers! You offer an alternative view of the issues that the biased liberal media either refuse to talk about, or offer the same old worn-out solutions that have only made the problems worse. Keep up the good work.

Stacey O'Pray
Fredericton, New Brunswick

More accountability needed

The following was in response to Tanis Fiss' opinion editorial "More accountability, not more money," which appeared in the Calgary Herald October 15th.

I applaud your article. Politicians proclaim the need for change. Yet it seems whenever someone steps forward to try and initiate discussion, particularly on any subject related to reforming First Nations governance or funding, they are quickly labelled racist and the discussion stops. This only stifles ideas on potential change and serves to perpetuate the current system.

Tanis Fiss' article on potential changes to aboriginal funding on reserves was objective and included facts to highlight the problem of how government funding is not reaching the most needy on reserves, while others profit very well. Even when the federal government is forced to step in and appoint outside trustees to handle band finances, the system does not change. Tanis is brave to speak these truths. Only by identifying problems and objectively discussing solutions can change be affected.

Ian Anderson
Calgary, Alberta

Taxpayer should be mandatory

I say *The Taxpayer* should be mandatory reading in every household. I know that it would cost a lot to do that. However, I wonder if maybe a couple times a year there could be a general delivery. This would make more people aware that such an exceptional magazine exists. Doing so would generate more support for the CTF. The information provided in each issue must be known to more people.

Audrey Meckling
Weyburn, Saskatchewan

Manitoba business taxes

I heard the CTF interviewed on businesses taxes in Manitoba. I myself am a business owner/operator in Winnipeg and have so far declined several offers to move my operation to the United States — but the temptation does get harder and harder to resist as I seem to be paying more and more taxes (personal and otherwise). Just wanted to thank you for all your hard work on behalf of business owners.

Greg Waller
Winnipeg, Manitoba

Letters-to-the-editor

Letters may be edited for length and content. Send them to:
The Taxpayer,
105-438 Victoria Ave. E., Regina, SK
S4N 0N7
E-mail:
tlanigan@taxpayer.com

Letters-to-the-editor

Caring for cons costly

Since 1971 we have been saddled with the untenable policy of rehabilitation of criminals. The costs are substantial. Because career criminals incur most of the expenses, it should be incumbent on the government to publish the repeat offender (recidivism) rate.

The justice system has become a social program for lawyers, the courts and our criminal element all funded by the taxpayer.

Jim Reinhart, former police officer
Kitchener, Ontario

Nyoto to Kyoto

The Kyoto Protocol may be based on incorrect assumptions. Most people will not throw money at a cause that is not proven. Unfortunately, the federal government is promoting human caused global warming as fact.

CTF supporters should be aware that: 1) there is no scientific proof that humans are the cause of global warming, 2) we should not interfere with the natural global warming process if we are not the cause of it, and 3) if we interfere it will be very costly to us, especially if all other nations in the world do not also participate.

David Hickle, P.Eng.
Edmonton, Alberta

The Kyoto Protocol should not be ratified until all relevant information on cost and benefit have been made available to all Canadians and Canadians have responded. Don't risk the economy!

B. C. van Hees, P.Eng. Retired
Lethbridge, Alberta

Maybe I've gotten this wrong, but I am of the impression that democracy means that elected officials are charged with 'serving' Canadians, not the other way around.

If Kyoto is, as many suggest, flawed science and bad for the economy not to mention there is no implementation plan or cost analysis undertaken , then exactly whose interests are being served by ratification?

Steve Funfer
Cranbrook, BC

Waste Watch

First Kyoto, now WIPO

The music industry has been quietly pressuring Ottawa to ratify two treaties. At stake are two World Intellectual Property Organization (WIPO) Internet treaties initiated in 1996 in Geneva, Switzerland to combat Internet piracy. But like any war, it will mow down a lot of innocent civilians in the process.

The Canadian Recording Industry Association (CRIA), who ironically also represents the American music industries interests in Canada, is behind the push. CRIA just recently added former Liberal Cabinet Minister Brian Tobin to its list of directors, to add some firepower.

In 1997, the federal government — more specifically Sheila Copps and the Department of Canadian Heritage — initiated a tax on cassette tapes and CDs intended to compensate musicians who were having their music copied. Canadians currently pay a flat rate tax of 21 cents on each blank CD, despite the fact that these products are not always being used to duplicate music. The money is in turn dispensed to Canadian musicians.

CRIA will be bargaining hard at hearings scheduled for January 2003 to have the feds ratify the WIPO treaties. If successful, the current tax on a CD would be increased from 21 to 59 cents. The tax would also be expanded and applied to a whole range of new products including MP3 players and flash cards that, like CDs and cassettes, are often used for purposes other than storing music. Based on current rates, the treaties will require a $21 tax on every gigabyte of memory. An MP3 player with a 20 gigabyte drive which typically sells for between $400 to $600 would be taxed to the tune of $420 dollars.

Adding fuel to the fire, some in the music industry would eventually like to see a similar tax put on computer hard drives. At these rates, a typical 80 gigabyte hard drive would have a $1,680 tax bill attached to it.

The WIPO has another interesting provision. The tax currently collected by the feds subsidizes Canadian musicians, however, the treaty requires that all musicians — foreign and otherwise — be compensated. This means impoverished musical acts like Britney Spears would reap the rewards. In fact, because of the American's huge share of the music market, most of this Canadian tax would flow south of the border. Under the treaties, if the feds want to continue subsidizing Canadian musicians at the same rates they have grown accustomed to, Ottawa would be forced to increase the tax rate even further.

With files from the *National Post*

More education woes

The Public School Board in Saskatoon is taking a closer look at how it spends tax dollars. Saskatoon school board trustees were rightfully concerned in the wake of suggestions that significant amounts of education tax dollars are not making it to the classroom.

What kind of meal could you order for $93?

It appears that the school board liked to — well — party. This included a $50,000 shin dig surrounding the opening of the school board's new office, a celebration originally budgeted at $18,000. But the parties don't stop there. Another $45,000 is spent annually on the party for retiring teachers. The annual Christmas banquet costs around $6,000.

Then, of course, there is the annual wine and cheese where employees get to meet each other, the principals' annual retreat and a variety of other cocktail parties.

It goes without saying, those new computers for the classroom will have wait another year.

With files from the *Saskatoon Star Phoenix*

Fishing for pogey

In 1997, the federal government made some changes to how Employment Insurance (EI) was handed out in Atlantic Canada. This was sparked by concerns that recipients in the region were becoming dependent on EI and working just enough weeks to qualify for benefits.

As a result, the requirements for collecting EI were changed from a how long an individual worked, to how much they earned. The feds felt it would be easier to track earnings since many of the EI recipients are self-employed fishermen. This change would also require individuals to work longer before collecting benefits.

However, a recent Access to Information request to the federal fisheries department uncovered that these EI changes have in fact backfired and people are quitting work sooner, not later.

The reason is a decline in Cod stocks, which has forced fishermen to go after more lucrative shell fish. As a result, fishermen are able to meet the eligibility requirements for EI much sooner than under the old system. Once they reach their limit, many simply stop working and go on pogey, even though work is still available. Thought seemingly widespread through the Atlantic provinces, the result is most acute in Newfoundland.

With files from *Canadian Press*

Surprise, surprise, more money is not the solution

Despite cries that the educational skies are falling because of under funding, a study conducted by British Columbia's Ministry of Education suggests otherwise. The study, the first of its kind in Canada, tracks education funding to test scores and reveals that the four provinces and territories with the highest per capita spending on education — Manitoba, Ontario, Nunavut and the Yukon — did not achieve the highest scoring performance in the national School Achievement Indicators Program (SAIP).

In fact, students in the Yukon and Nunavut scored the worst, while students in Alberta and Quebec outshone those of high-spending Manitoba and Ontario.

Lyle Oberg, speaking on behalf of Alberta's Ministry of Learning, attributed his province's success to how the money was spent rather than how much was spent.

When the BC Ministry of Education studied the results for its own province, it found a similar pattern. Typically, the more money that was spent, the worse the students did on B.C.'s Foundation Skills Assessment.

Ottawa's new tax not flying

The province's findings parallel a similar analysis in the US called the Report Card on American Education which shows that despite a 23% increase in education spending over the last 20 years, little has changed in standardized test scores.

With files from the *Globe and Mail*

Air tax down

The vaunted 'air travellers security charge' (a.k.a. the flying tax) Ottawa slapped on travellers to pay for a supposed $2.2-billion in security upgrades is well — falling from the sky.

Between April 1st, when the tax was first instituted, and July 31st, the government has only collected $82 million or $25 million a month. The feds were gleefully anticipating nearly $36 million a month or $445 million a year.

So what is the reason for the lower revenues?

Simply put, people are flying less and the airline industry is pointing its finger squarely at the tax as the culprit. The feds charge a flat tax on each flight of $12 for a oneway ticket and $24 for a return flight.

According to Calin Rovinescu, an official with Air Canada, the flying tax has all but destroyed the regional airline business. He said the industry is already one of the heaviest taxed sectors in Canada paying in addition to the flying tax, a myriad of other taxes such as fuel, GST, PST, air navigation charges, airport improvement fees, etc.

Both Air Canada and WestJet have been forced to cut short-haul flights as the new tax has made these flights uneconomical. The flying tax is apparently the proverbial straw that broke the camel's back as people are now choosing less expensive ways to travel.

Fortunately, someone may have switched on the lights at Liberal Party headquarters as some MPs have discovered — incredibly — that higher taxes do not automatically translate into increased revenues and are suggesting the flying tax on short-haul flights be scrapped altogether.

With files from the *Saskatoon Star Phoenix* and *Globe and Mail*

Bombardier strikes again

In a recent report, Canada's Auditor General Sheila Fraser writes a scathing analysis of the Department of Defence's NATO flight training program. According to her report, the department spent over $65 million on flight training it never used.

Under the program, a number of NATO countries such as the United Kingdom, Hungary and Italy have agreed to pay for and use Canada's training service.

The root of the problem is the department's 20-year contract with Bombardier, the company that provides the service. Under its terms, the department pays

The music industry wants Ottawa to sign two treaties that will see this tax more than double.

$62.8 million a year to Bombardier, which in turn trains the pilots. It turns out, the Department of Defence had paid for 355 training spots but only 136 pilots were trained. The difference is due to a shortage of teachers and mechanical problems. Both these issues are Bombardier's responsibility.

Nonetheless, by the terms set out in its agreement with Bombardier, the Department of Defence still had to pay out the money.

Though the point seems obvious, Fraser stated that no government should be paying for services until they are delivered. She found similar problems at two other training schools who received 100% funding while running at just over 40% capacity.

True to form, Prime Minister Jean Chretien declared the program a "great success."

With files from the *National Post* & *Globe and Mail*

Hudak's spending spree

According to expense documents, between April 1st and August 23rd 2001, Tim Hudak, Ontario's *former* Minister of Tourism and his staff charged the government nearly $24,000 in expense claims that included everything from hotel and travel to doughnuts and gum.

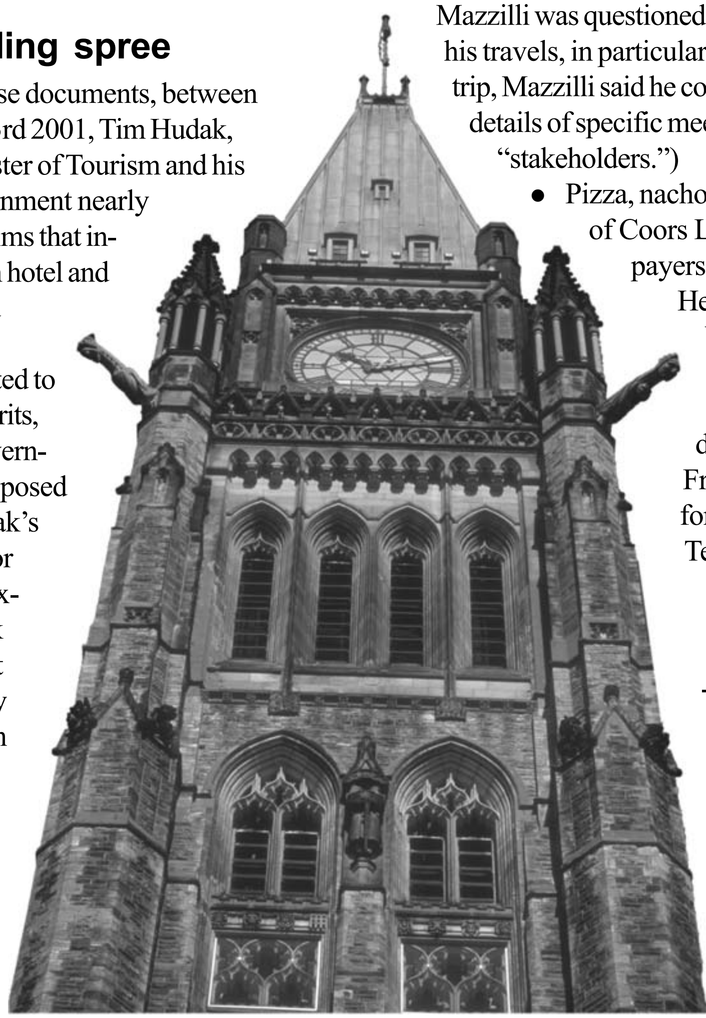
Meals alone amounted to $6,855 and included spirits, which according to government policy are not supposed to be reimbursed. Hudak's personal expense bill for food and drinks cost taxpayers $864.26. Hudak has since promised that he and his staff will pay back the alcohol portion of the expenses.

Nevertheless, this pales in comparison to the expense bills submitted by Hudak's staff. On June 14th, policy advisor Jonathan Leigh charged taxpayers $657.36 to feed seven people. This works out to over $93 a piece. Just four days later, he expensed another meal for a seven-member group for $709.67. Two days after that, Leigh and some associates wandered off to one of Toronto's favourite watering holes where they spent $155.52.

But when it comes to lavish expense claims it was Hudak's parliamentary assistant, MPP Frank Mazzilli who takes the cake — or should we say ate the cake. During this five month period, he expensed $8,518. This included:

- 13 favourite restaurants and pubs where he expensed $2,000.
- Spending some quality time at Toronto's Wolf and Firken Pub on July 1st and then booking a cab at 11:15 pm to take him home. A trip which cost taxpayers $155.40. (Note: when Mazzilli was questioned by the media about his travels, in particular the Canada Day trip, Mazzilli said he couldn't remember the details of specific meetings with "stakeholders.")
- Pizza, nachos and two pitchers of Coors Light beer set taxpayers back $46.46 at Hemingway's in Yorkville.
- A $230.05 meal bill was turned in during the Francophone Games for a meal at Mamma Teresa's Ristorante.

With files from the *Toronto Star*



Great work if you can get it... $90,000 without having to show up.

Top secret subsidy

An access to information request by the *Ottawa Citizen* this past spring uncovered a top secret subsidy in Industry Canada's Technology Partnerships Canada (TPC) program.

After receiving a list of businesses that received corporate welfare under the program, the *Citizen* made a second request to find out what a $99.6 million subsidy given to Pratt & Whitney — a Quebec-based aerospace corporation — on March 12, 2001 was intended for.

Senior management for Industry Canada wrote the *Citizen* saying that after a review of the material they had decided to withhold this information citing 'privacy concerns.'

Adding further to the mystery, the Pratt & Whitney grant was part of a group of five grants totalling $320 million that TPC rushed through before their fiscal year end, March 31, 2001. In a practice commonly referred to as 'spend it or lose it budgeting,' department bureaucrats find themselves with unspent money at the end of their budget year and go on a spending binge rather than return the unused money to government coffers.

Quoted in the *Ottawa Citizen*, CTF director Walter Robinson said that Industry Canada's refusal to release the information, "shows the arrogance and contempt, the minister and the department hold for Canadian taxpayers. They obviously aren't too concerned about being accountable to the public when it comes to TPC."

With files from the *Ottawa Citizen*

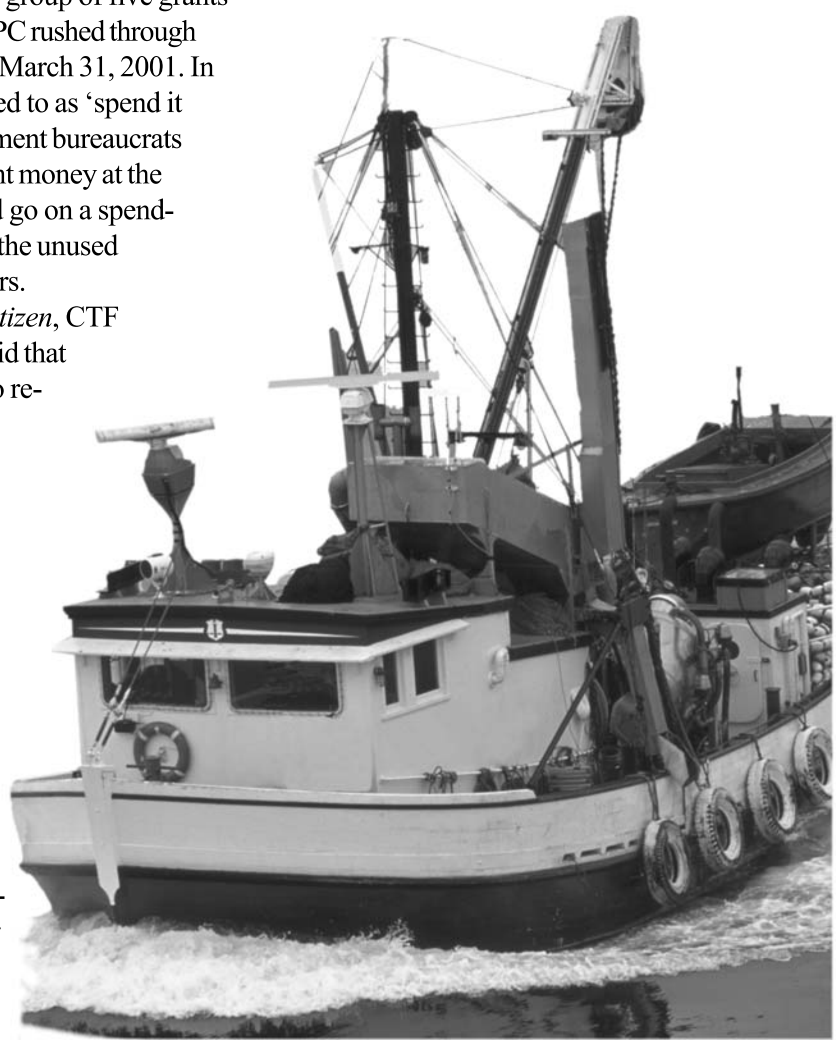
Wouldn't you love to set your own pay and hours of work.

Welcome to the Senate...

Despite earning a whopping $106,400 a year, Canada's senators have decided to cut back their number of work days from 87 to 69. In a refreshing statement of candour, Senate Leader Sharon Carstairs said there was simply no work for them to do.

Last year, senators reduced the penalty they have to pay for not showing up to work from $250 a day to $190. This means that if a Senator missed all 69 sitting days, he or she would still make $93,290.

Attendance in the Senate has come under tough scrutiny. In 2001, for example, five senators



Fishing for pogey in Atlantic Canada...

only showed up for work half the time, but even under the old penalty regime, still cleared $90,000.

With files from the *National Post*

The flush of tax dollars

The National Capital Commission (NCC) with an annual budget of $101 million is responsible for keeping Ottawa and the surrounding area pretty.

It's a big job, but somebody's got to waste the money. It's apparent when you look at their latest spending extravaganza that they are desperate for places to spend your tax dollars.

The NCC spent — wait for it — $252,701 to build a washroom in ritzy Rockcliffe Park this past summer. Since it's unheated, it will be closed during the winter. So how does the NCC justify spending over a quarter million dollars on a part-time out-house?

Well, you have to work at the NCC to understand. Apparently, the top wags were concerned that a new building might clash with the nearby historic pavilion which the washroom is supposed to serve. So it was decided to build the regal toilet along the same pattern as the historic pavilion, requiring classy and obviously expensive masonry, stonework and cedar shingles. But even with that, most have no idea how they managed to spend that much money on a small ten by seven metre building.

According to the NCC, the washroom was also needed for the important bus tourist trade. They added that the NCC had used portable washrooms which proved difficult for seniors and the disabled to use. However, because the parking lot beside the new washroom is so small, buses are unable to park near it. Seniors and the disabled travelling on bus tours will have to walk nearly a kilometre to use the washroom.

With files from the *Ottawa Citizen*

Canada's gun registry will smash the $1 billion mark

Canadian Alliance MP Garry Breitkreuz has just released his latest calculations on what the costs are for Ottawa's vaunted gun registry.

His research shows that the costs for the gun registry will pass the $1 billion mark by 2004 — now confirmed by the Auditor General. All this money has bought is a system that even the police and RCMP are scared of using because it's so inaccurate. The following is a summary:

- Costs from fiscal year 95-96 to November 21, 2001 (Source: testimony of the Treasury Board before the Senate) $689,760,000
- Estimated Expenditures for 2002-03 (Source: Hansard April 24, 2002) $113,500,000
- Supplementary Estimates (A) 2002-03 (Additional costs — Source: Supplementary Estimates) $72,000,000
- Estimated Expenditures for 2003-04 (Source: Hansard April 24, 2002) $95,000,000
- Estimated Expenditures for 2004-05 (Source: Hansard April 24, 2002) $80,000,000
- Total costs and all the bills aren't in yet: $1,053,260,000

With files from the Canadian Alliance Party

It's not how much you spend, but how you spend it ....

The CTF releases its first book

Tax Me, I'm Canadian®

Your money and how politicians spend it

Special supporter pricing:

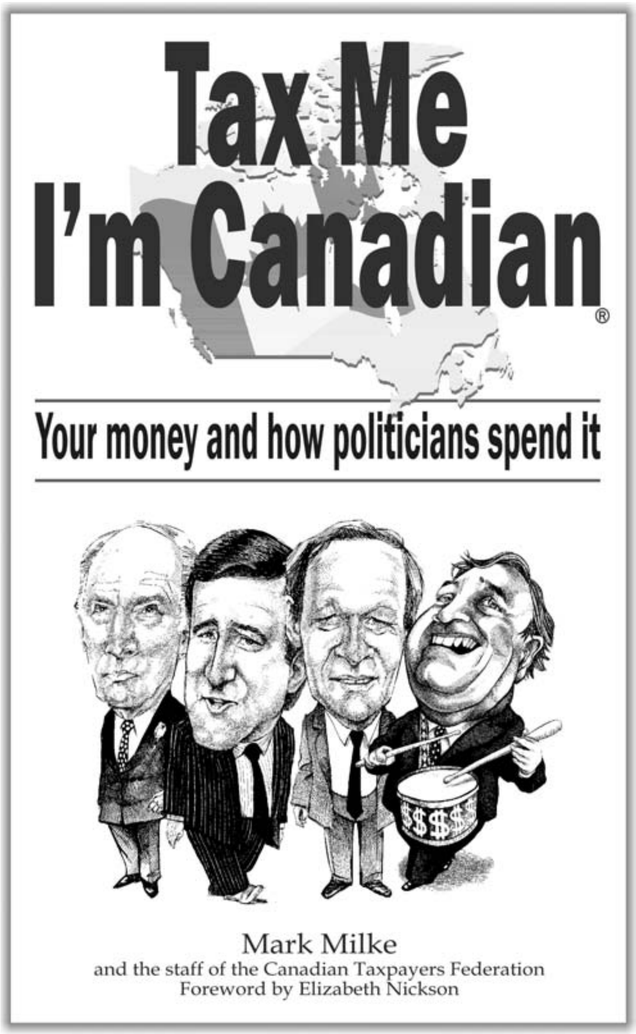
$20.00 per book on orders of five or more

$22.00

Includes all taxes and shipping

No further discounts can be applied to this special deal. *Tax Me, I'm Canadian* will retail for $23.95. Once you include taxes and shipping and subract your 20% supporter discount, it would still cost as much as $27.30 depending on taxes paid. Supporters will save up to $5.00 per book on this special deal.

Canada's first tax was a 50 per cent export tax on beaver pelts way back in 1650. Since then, taxes have grown to the extent that it is easier to describe what is *not* taxed as opposed to what is. Ever wonder where governments spend all the money? What are the biggest boondoggles of all time? *Tax Me, I'm Canadian* is the ultimate guide to how your tax dollars are collected, spent, and managed, and — occasionally — even wasted.



Tax Me, I'm Canadian is written by Mark Milke author of the 2001 #1 B.C. bestseller, *Barbarians in the Garden City: The B.C. NDP in Power*., which longtime *Vancouver Sun* columnist and journalist Trevor Lautens describes as "solidly researched" and written with "style and wit."

Tax Me, I'm Canadian is for anyone who wants to know how and why their tax bill is what it is. Love taxes or hate them, this book lays it all out in an informative but breezy style. Chapters

such as *In the beginning* looks at the history of taxes in Canada. The expansion of the welfare state is detailed in *Leviathan's Appetite*.

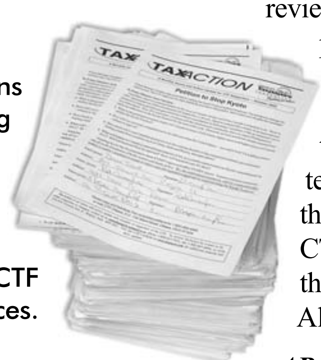
Think a $40,000 income is a lot of money? The author doesn't think so either, but describes how an Albertan with that income will, through their taxes, subsidize a richer Newfoundlander due to the now Byzantine system of federal transfer payments. Milke cracks open other issues with unvarnished facts and a definite opinion.

Included is how much some of the countries' top corporations received in corporate welfare over the past decade, how much is spent on health care, and why funding increases never seem to shorten the line-ups. Subsidies to professional hockey teams are bad economics and Milke explains why.

Smartly illustrated with easy-to-comprehend charts and pleasantly interrupted with the comical work of *Victoria Times Colonist* cartoonist Adrian Raeside, *Tax Me, I'm Canadian* is the perfect book for anyone who pays taxes and wonders where their money goes.■

Around *the* CTF

Each month, CTF offices in five provinces and Ottawa handle hundreds of media interviews and inquiries, hold press conferences, publish reports, make presentations to governments and issue regular news releases, commentaries and publications to advocate the common interest of taxpayers. CTF representatives also speak at functions and organize major campaigns nationally and in the provinces that lead to public policy change. The following highlights activities for the months of September and October 2002:



Petitions opposing Kyoto have been pouring into CTF offices.

September

AB: In response to the report of a government-appointed Commission reviewing the province's fiscal policy, director John Carpay gave a mixed review but stated it failed to provide adequate protection for taxpayers through legislation. The CTF's written response to the report was sent to all Alberta MLAs.

AB: In response to the province's first quarter update director John Carpay points out that spending is 52% higher than it was six years ago. Alberta's taxes could be $3.1 billion lower today if spending control legislation had been in place since 1996.

CAPC: Access to Information data obtained and released by director Tanis Fiss reveals that native band deficits increased by 181% over the last nine years to $373 million. The data also shows that the number of native bands in deficit rose by 21% over the same period to 188 bands.

MB: At a well-attended press conference, director Adrienne Batra released the results of the 2002 Capital Region Residential Property Taxes and Utility Charges Survey. It is the CTF's second annual survey to track and record the basic living costs for residential property owners in the Winnipeg Capital Region. East St. Paul topped the survey as the most affordable community to own a house, while Winnipeg was found to be the most expensive.

***SK*:** At his final news conference, outgoing director Richard Truscott described the province's Information Law as having more holes than Swiss cheese pointing to 8 pages of exemptions. Richard, who used the law hundreds times during his tenure as a CTF director offered several recommendations to improve the legislation.

Activity Report
September and October 2002

Office	Media Interviews	Events/ Speeches/ Letters/Releases/ Reports/Meetings/Etc.
Ottawa	238	40
BC	95	38
Alberta	91	63
Ontario	56	9
Manitoba	54	18
Sask	51	14
CAPC*	28	6
Total	613	188

* CAPC stands for the CTF's recently established Centre for Aboriginal Policy Change.

October

ON: In response to an omnibus bill dressed up as financial reform legislation, director John Williamson lambastes the Eves' governments move to gut the *Taxpayer Protection Act,* delay scheduled personal and corporate income tax cuts, and freeze the education tax credit. John's com-

ments were widely picked up by media throughout the province.

NATIONAL: A news release and petition demands Ottawa hold a national referendum before ratifying the Kyoto Protocol. Director Walter Robinson draws comparisons with free trade and the Charlottetown Accord – each significant federal policies – that were subject to an election and referendum respectively.

FEDERAL: The CTF issued a statement in wake of the revelation that Ottawa plans to lose $4 billion in corporate welfare loans (out of a $6 billion portfolio) by 2020 courtesy of the Technology Partnerships Canada program. Director Walter Robinson points out the findings are precisely what the CTF warned of in 1996.

BC: The CTF makes its pre-budget submission to the province's Finance Committee in Prince George focusing on driving a spike through the province's $4-billion deficit with a renewed commitment to spending restraint, privatization and restoration of lost tax cuts. The CTF would later support the government's announced reduction of 700 jobs in the province's forestry bureaucracy.

AB: In a news release and brief, Alberta director John Carpay called on the provincial government to force municipalities to use photo radar for promoting safety and not revenue collection.

CAPC:. A commentary penned by director Tanis Fiss exposing the waste involved in Ottawa's decision to build a brand new $44-million reserve for the 278 member Marcel Colomb Band in Manitoba received wide media coverage including editorial mention in the *Sun* newspaper chain.

FEDERAL: In a statement, the CTF urges the Prime Minister to require that leadership contenders for his job resign their cabinet post to avoid the abuse of government jets, staff, pork barrel politics and bogus consultation exercises all at taxpayer expense.

ON: At his first news conference, director John Williamson offers strong support for the government's decision to take over school boards in Toronto, Hamilton and Ottawa because of massive spending overruns. A CTF petition lends support for the government's action.

Outgoing Saskatchewan Director Richard Truscott compares the province's Freedom of Information law to Swiss cheese.

SK: In a news release, the CTF responds favourably to announced tax and royalty cuts for the province's oil and gas industry. Director David MacLean asks why the premier's suggestion the new policy will stimulate growth can't be applied to the rest of the economy.

MB: A civic election performance evaluation by the CTF found that only one out of five Mayoral candidates makes the grade when it comes to meaningful tax relief.

FEDERAL: The CTF gives mixed reviews to the Kirby Senate Committee's review of health care. Director Walter Robinson gives thumbs up to the committee's recognition of sustainability but thumbs down to more bureaucracy and a proposed hike in the GST.

Cover Story

What Kyoto will cost you
Cutting through all the hot air

by Bruce Winchester and Troy Lanigan

The debate surrounding Kyoto has increased the level of hot air floating around Canadian politics. That in itself may be a genuine concern for global warming! Nevertheless, all this hot air has done little to clarify the real implications and costs to Canadians as a result of the federal government's imposition of the Kyoto Protocol.

In a nutshell, ratification of the Protocol means Canada must reduce greenhouse gas (CO_2) emissions to 6% below 1990 levels for the period 2008-2012. This represents a 30% reduction of projected levels.

One of the most common misconceptions about Kyoto is that it addresses pollution and smog over our large urban centers. Not true. CO_2 or carbon dioxide is not an air contaminant. It is a colourless, odourless gas that has always been part of our atmosphere. It puts the fizz in our soft drinks, and is a necessary component in our ability to breathe. CO_2 emissions are not considered nor listed as a pollutant under any province's environmental legislation. $C0_2$ emissions are believed to contribute to climate change and must be curtailed say proponents.

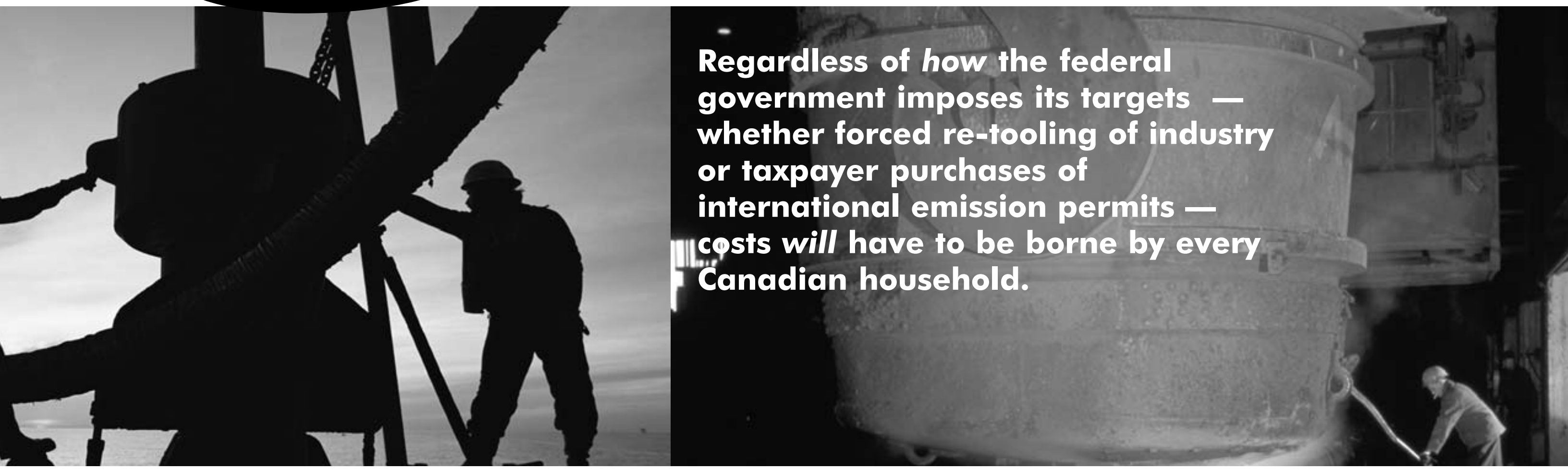
The last issue of *The Taxpayer* detailed some of the scientific issues surrounding Kyoto. This issue brings you a more detailed analysis of some of the costs. Because ultimately, guess who foots the bill?

The Kyoto Protocol itself is not a specific plan, but a global target. For Canada, the target is to reduce CO_2 emissions by 240 megatonnes (MT) over the period 2008-2012. It's akin to knowing that you have to go from Toronto to Vancouver but having no clue as to how you'll get there. Having a specific travel plan — whether by plane, car or mule — allows you determine the costs and implications of making the trip. Incredibly, the federal government ratified an agreement without any specific roadmap to get them there.

In October, the CTF commissioned noted academic Dr. Ross McKitrick of the University of Guelph to conduct an examination of what the cost implications for the average Canadian household might be. Regardless of *how* the federal government imposes its targets — whether forced re-tooling of industry or taxpayer purchases of international emission permits — costs *will* have to be borne by every Canadian household. What follows are the results of Dr. McKitrick's findings:

Putting a Price on Kyoto: Counting the Costs

Trying to put a price on a complicated mix of policies is a tall order. Professor McKitrick's paper, *Counting the Costs: The Effect of the Federal Kyoto Strategy on Canadian Households,* examines the federal government's planning



documents from April and October of 2002 in an effort to measure potential costs. To say these government documents were light on specifics would be generous.

Remember, the Kyoto Protocol is a global target, *not* a plan of action. Unfortunately, what has been released by the federal government to date can hardly be described as a plan of action either.

One part of the government's so-called plan calls for each Canadian to reduce their CO_2 emissions by turning down the thermostat, doing the wash in cold water and other as yet unspecified measures. According to the government, 31 MTs can be reduced directly by Canadian households.

But the government's October 2002 plan can only account for about 2 MTs of household reductions. This means other price and tax increases will likely be used to permanently change the way we live our lives.

So then, what will the government do to make Canadian households produce less CO_2? Previously, the federal government looked at carbon taxes as a way to reduce the consumption of fuels that produce CO_2. The government

CTF launches Kyoto ad campaign

In November, the CTF ran a number of radio ads in markets throughout Ontario. Here is the text:

Sound: *Screeching tires…CRASH!*

Voice over: Wait … let's back up.

Sound: *High speed rewinding…*

Voice over: Canada's adherence to the Kyoto Protocol would reduce worldwide output of CO_2 emissions by two-tenths-of-one-percent. Unfortunately, the impact on Canada's economy won't be so small.

A recent study says the average Canadian household would pay $225 per month in higher taxes and energy prices.

Aren't energy prices in Ontario high enough already?

Call your MP at 613-992-4793 and tell them to put the brakes on Kyoto.

We are the Canadian Taxpayers Federation. www.taxpayer.com.

says carbon taxes are not being considered at this time. But if a reduction of another 29 MTs is to be realized by Canadian households, the cost of key fuels like diesel, gasoline, coal and natural gas will have to increase substantially — increases, McKitrick suggests, in the range of 48 to 261%. Raising federal gasoline taxes from the current 10 cents per litre to 40 or 45 cents per litre, would force the price of gasoline up to between 90 cents and $1.25 per litre.

The second part of the federal government's so-called plan obliges remaining CO_2 reductions to come from business and industry. Like households, higher prices mean business would also consume less CO_2 producing fuels forcing them to change the way they do business. This could mean changing production methods, eliminating products, or closing down or moving part of their operation to non-Kyoto countries like the US. But unlike households, business will simply pass the costs along in the form higher prices, lower dividends, lower wages and fewer staff.

The government's main option in helping business achieve the Kyoto target is to purchase and trade credits to produce CO_2 – so-called emission permits. The federal government assumes cheap permits will be readily available. At the low end, they hope permits will cost businesses $100 million dollars every year after 2008. Of course all of this will depend on the mix of emission permits that will be available.

Emission Permits

There are two types of emission permits or credits: foreign and domestic. They both function the same way. Someone (another country, province, or company) produces less CO_2 than their Kyoto target for that year and is then able to sell the right to produce the difference between the two – in the form of an emission permit. The trouble is in trying to figure out how to set up markets to buy and sell these permits.

In the case of foreign permits, the government or companies would have to rely on laws and business practices in places like Russia or Ukraine. It would be very easy for bogus emission permits to be sold, or re-sold. If bogus permits were purchased there might be very little that could be done to recoup either the

Two types of Kyoto signatories

There are two types of signatories to the Kyoto Protocol. So-called Annex B countries, the industrialized countries, which must reduce CO_2 emissions by an average of 6% below 1990 levels. The remaining signatories are considered developing economies and do not have to meet any CO_2 emission restrictions at all.

The Kyoto Protocol only takes effect if it is ratified by enough Annex B countries. Their collective $C0_2$ emissions must add up to 55% of what was produced by all industrialized countries in 1990.

With the USA and Australia out of Kyoto, the exclusion of developing countries and with other horse trading on international emission credits, world-wide CO_2 emissions over the 2008-2012 period will actually rise.

resulting business or taxpayer funded loss.

Domestic permits trading might also occur because Canadian companies could cash in on the post-Kyoto value attached to producing less CO_2. Companies could find business and production methods that emit less CO_2 or simply cut back their production and sell their CO_2 emissions rights to another company.

The federal government hopes that many companies will opt for new methods of producing their goods. This would make relatively cheap domestic permits available. The federal government also hopes these will be easily purchased and distributed (either given away or auctioned) to industries that cannot easily find new production methods that emit less CO_2.

A lot of the Kyoto horse-trading will come down to how both of these types of permits get purchased, monitored and distributed. Depending on what happens, the cost of emission permits could be much higher than what the government hopes. Not knowing these details makes ratifying the Kyoto Protocol a big gamble.

Economic Modelling

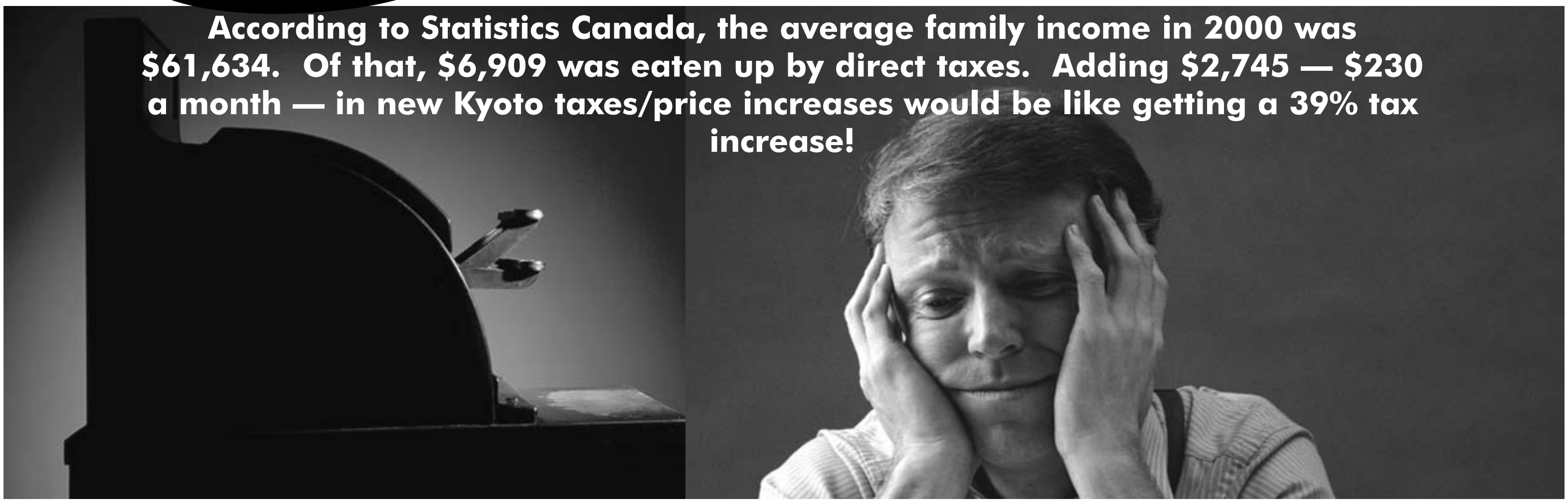
Professor McKitrick assumes the costs of permits when combined with other measures will result in an average cost of $31 per tonne of CO_2. Starting with this, he uses economic modelling to predict several impacts on the Canadian economy. Most noteworthy are increased energy costs, reduced exports, reduced employment and reduced wages. The results of

Likely Annual Effects of Kyoto on Cdn Households

Cost Item		Percent Change	Dollar Cost per unit	Annual Total
Carbon Dioxide Price			$31	$7.44 billion
Energy Costs				
	Natural Gas	+93.9	$0.18 /m3	$396.00
	Coal	+261.0	$130.00 /short ton	
	Refined fuels	+48.3	$0.34 /litre	$244.80
Exports		-10.9		
Total Capital Employed		-3.8		
Total Employment By Sector:				
	Agriculture	+10.5		
	Mines, Quarries, and Oil Wells	-7.1		
	Refineries	-5.4		
	Utilities	-3.1		
	Manufacturing	-5.1		
	Services	+0.6		
Total Labour Employed		-1.5		
Real Wages		-5.8		
Real Consumption		-3.1		-$1,517
Real Net Income		-5.5		-$2,745

What Kyoto will cost you

According to Statistics Canada, the average family income in 2000 was $61,634. Of that, $6,909 was eaten up by direct taxes. Adding $2,745 — $230 a month — in new Kyoto taxes/price increases would be like getting a 39% tax increase!



Professor McKitrick's examination are summarized in the chart on page 19.

Fast forward to 2010. The government expects Canadian households to live with $2,745 less every year to pay for the Kyoto Protocol. This is a heavy burden to contribute toward Canada's paltry contribution of a two-tenths-of-one-percent reduction in the world's total CO_2 emissions.

To put this in context, according to Statistics Canada, the average family income in 2000 was $61,634. Of that, $6,909 was eaten up by direct taxes. Adding $2,745 — $230 a month — in new Kyoto taxes/price increases would be like getting a 39% tax increase!

The Fight is Not Over

Although Kyoto was due to be ratified at press time by the House of Commons, Dr. McKitrick's paper and the federal government's most recent plan released in late November testify to the extent of unanswered questions and implications yet to be unearthed. Expect court challenges by the provinces on the grounds of encroachment on provincial jurisdiction and for a change in federal leadership to reconsider the merits of Kyoto heading into an election. Canada can get out of Kyoto just as quickly as it got in. Rest assured your CTF remains committed in its campaign to stop imposition of the Protocol and its disastrous consequences on the Canadian economy.■

Ottawa's Kyoto plan

In November 2002 the federal government released yet another version of its so-called plan to meet a 240 MT reduction target.

	Actions Underway	November 2002 Plan additions	Un-accounted
Transportation - using less fuel and driving fuel efficient vehicles Buildings - more efficient use of energy, lower the thermostat, lower the lights, household measures.	13 MT	15 - 20 MT	
Industry - reduce emissions or buy permits:	25 MT	55 MT	
Adopt new technologies, new infrastructure and new gains in efficiency (also incl. household measures)	N/A	16 MT	
Credits for agriculture, forestry, landfills, sinks and off-sets:	38 MT	--	
Purchase international emissions permits:	2 MT	10 MT	
Total	78 MT	101 MT	61 MT

To meet the 61 MT gap, the government is looking at a number of schemes. These include the following: government funded research and development on alternative fuels and energy sources; partnership funds to help the provinces.

Cover Story

What Kyoto will cost you

Saving lives or keeping activist greens Happy?

“Governments can spend money in all sorts of ways to save lives, but some methods save many more lives.”

by Mark Milke

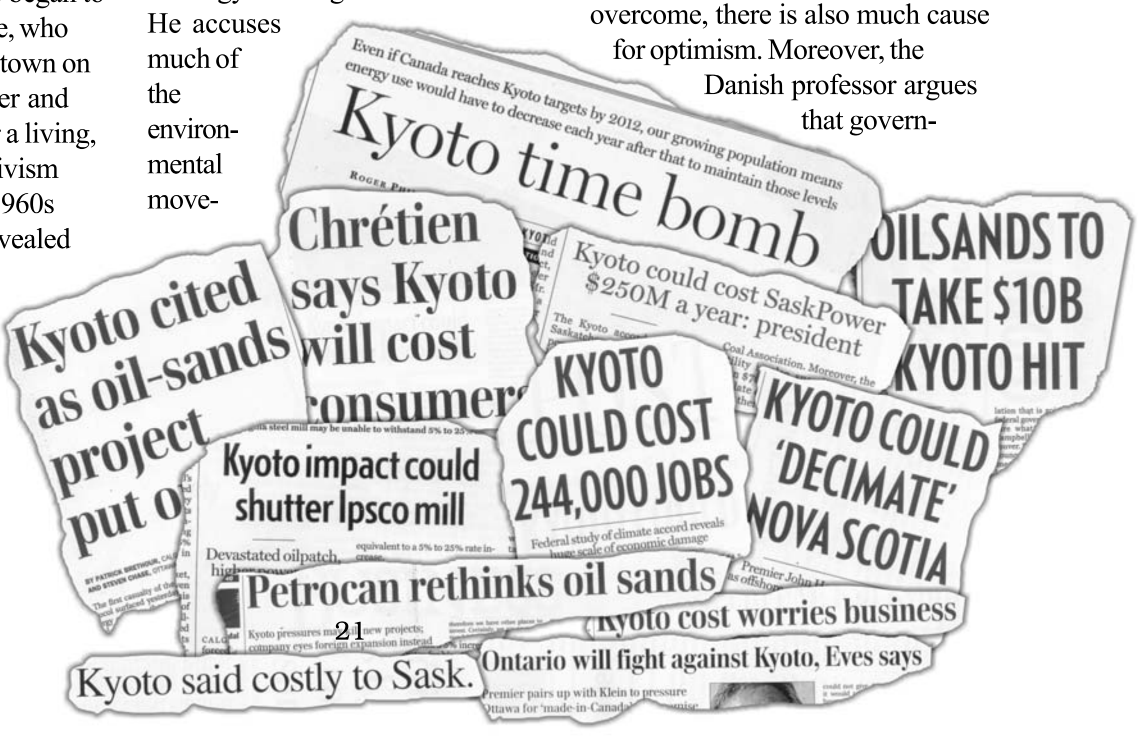
Want to set some Birkenstocks on fire? Mention two names to a religiously devoted environmentalist — Bjorn Lomborg and Patrick Moore — and then wait for the flames.

Bjorn Lomborg, for those unfamiliar with him, is a Danish professor of statistics and author of *The Skeptical Environmentalist: Measuring the Real State of the World.* He is a former Greenpeace member whose politics are still left wing, he doesn’t own a car, and he thinks that global warming is taking place and that humans cause part of it.

Patrick Moore is author of *Green Spirit: Trees are the Answer*, and is now a forestry consultant in British Columbia. He co-founded Greenpeace in 1971 but left in 1986 after the group began to drift into radicalism. Moore, who grew up in a small lumber town on BC’s coast where his father and grandfather felled trees for a living, came to environmental activism through science. His late 1960s Ph.D. studies in biology revealed that a mining company’s claims about mining waste and its effect on the ocean were false; that motivated him to help begin the world’s best-known environmental group.

But that was then; Moore now argues that just as the war to bring legitimate environmental concerns into the mainstream was being won, the fall of the Berlin Wall brought many members of the political left into the environmental movement and with it their “eco-Marxism.” He is withering in his critique of their current campaigns. “Unscientific,” “extremist,” and “simplistic” are a few of the adjectives he applies to Greenpeace and other environmentalists he claims are blinded by ideology and forgetful of science. He accuses much of the environmental movement of having ushered in a mood of “intolerance.”

Similarly, Bjorn Lomborg lost faith in some green activists after his attempt to refute American statistician Julian Simon’s work on environmental indicators largely failed. (Simon argued that environmental indicators show a world becoming *better* on average, not worse.) The result was Lomborg’s own book, where he mostly agrees with Simon and notes that while there are environmental problems to overcome, there is also much cause for optimism. Moreover, the Danish professor argues that govern-



ments should spend money to help their populations adjust to global warming, not engage in some futile, Sisyphus-like attempt to stop it.

In his book, Lomborg notes that there are obvious choices to societies and governments about how they will spend scarce dollars. In one section, Lomborg notes that money spent to save lives can have dramatically different effects depending on where such money is spent.

For example, using U.S. statistics, he notes that for US$182,000 a year, it is possible to screen black new-borns for sickle cell anemia and save 769 'life-years' (the number of years that human lives would be given or extended by); that equals a cost of just $236 per life-year.

In contrast, regulating radionuclide emission at elemental phosphorous plants (refining mined phosphorous before it goes to other uses) would cost US$2.8 million but would only save one life per decade. This gives it an estimated cost of $9.2 million per life-year.

In other words, governments can spend money in all sorts of ways to save lives, but some methods save many more lives (or 'life years') than others. Lomborg argues than when governments choose politically popular expenditures that save few lives over expenditures that would save many more lives for the same amount of money, they in effect commit 'statistical murder.'

Think about that the next time a politician suggests spending all sorts of money on a measure that may have a marginal improved effect on the environment versus one that will save many more children across our planet.■

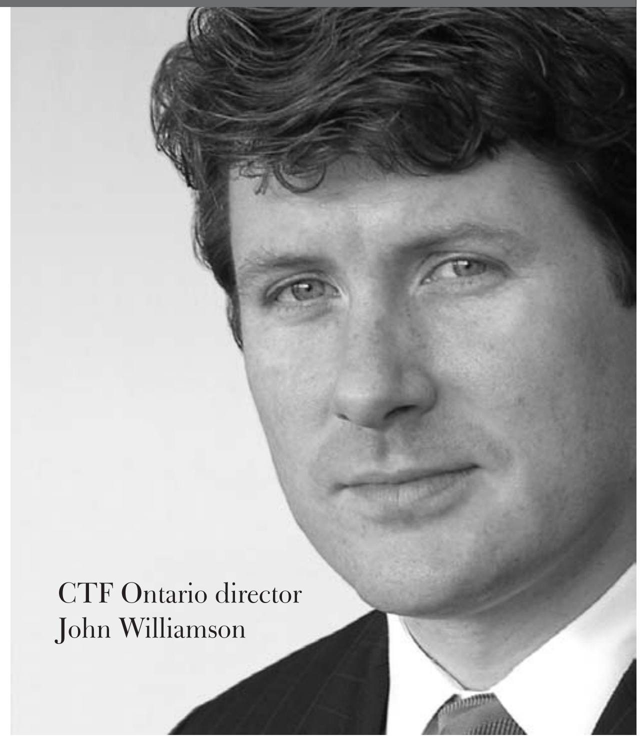
- Mark Milke is author of Tax Me I'm Canadian - Your money and how politicians spend it

Is Kyoto worth the cost?
Comparing environmental costs for saving lives with the costs for other life-saving measures

Intervention	Cost per life-year
Mandatory seat belt laws	$69
Sickle cell anemia screening for Black new-borns	$240
Chlorination of drinking water	$3,100
Ban asbestos in brake blocks	$29,000
Child restraint systems in cars	$73,000
Dioxin emission standard of 5lb/air dried ton at pulp	$4,500,000
Radionuclide emission control at elemental phosphorous plants	$9,200,000
Strengthen buildings in earthquake-prone areas	$18,000,000
Benzene emission control at rubber tire manufacturing plants	$20,000,000,000

Source: The Skeptical Environmentalist - Measuring the Real State of the World, Bjorn Lomborg, Cambridge University Press 2001. In US$.

CTF open for business in Ontario



CTF Ontario director
John Williamson

It's official. On Tuesday, October 15th, our advisory was released to the media: *The Canadian Taxpayers Federation Establishes Permanent Ontario Presence: New Director hits the ground running.*

It had been four years since we had any presence on the ground in Ontario so we had no idea how the press might respond, but e-mail replies soon gave us a good idea. One note from a newspaper editor read: Good luck…and keep us in mind for scoops. Another one from a CBC producer simply stated: "Trouble."

New Ontario director John Williamson was joined by CTF federal director Walter Robinson who helped to coordinate the Ontario office launch. We decided to lead with an issue long promoted by the CTF: *The Taxpayer Protection Act.*

After then-Ontario director Paul Pagnuelo received Mike Harris' signature on the CTF's *Taxpayer Protection Pledge* during the 1995 provincial election, a commendable Taxpayer Protection law was finally passed in 1999 after much CTF prodding. It requires lawmakers to hold a province wide-referendum asking voters to approve most tax increases or a delay in a legislated tax relief schedule. The law gives voters a say in how much taxes they pay. Yet in the June budget, the Tories announced that the tax cut schedule promised to voters in the 1999 election (and passed into law) would be repealed. The TPA would similarly be amended and the government would not seek voter approval for their tax hike.

In television and radio interviews that week the CTF called on the Ernie Eves government to keep its promise by restoring the tax cut schedule or calling a referendum.

The government, however, did not appear to take much notice. On October 30th, without any warning or fanfare, the finance minister introduced *Keeping the Promise for a Strong Ontario Economy Act*. Hidden deep in the massive omnibus bill were the broken promises: Delaying the tax cuts and gutting the TPA.

The Ontario office fired off a press release: *Ontario Government Sells Out! CTF incensed over gutting of Taxpayers Protection Act*. Interviews were given and our message was picked up. News headlines read: *Tories Move to Delay Planned Tax Cuts* (Toronto Star); *The Canadian Taxpayers Federation is Accusing the Ontario Government of Abandoning its Tax Cutting Principles* (CP); *Ontario Conservatives Accused of Hiding Tax Cut Delays in Massive Bill* (CP); *Ontario Withholds $1.5-Billion in Promised Tax Breaks* (Southam/Ottawa Citizen); *Ontario Tables Legislation to Postpone Tax Cuts* (Globe & Mail); *No Tax Relief* (Toronto & Ottawa Sun).

The CTF may not win every battle it engages in, but be assured the voice of taxpayers will be heard and politicians who ignore it will pay a price. Already, our renewed presence in Ontario is paying dividends and importantly we appear to have the government's attention.■

Contact Information:
CTF - Ontario: PO Box 60, 31 Adelaide St E,
Toronto, ON M5C 2H8
Phone: (416) 203-0030
Fax: (416) 203-6030
E-mail: jwilliamson@taxpayer.com.

The Romanow Report

Blinded by Ideolog

by Walter Robinson

The Romanow Royal Commission on the Future of Health Care in Canada released its final report entitled ***Building on Values.*** Sadly, at a time when our health care system desperately needs a crash cart of new ideas, the Romanow report mostly offers re-heated leftovers from the hospital cafeteria of past health care reports.

Romanow rightly identifies key themes of leadership, governance, responsiveness, quality and strategic investments as necessary elements to achieve meaningful health care reform. However, his choice of policy instruments — most of them requiring more central planning and an even larger health care bureaucracy — to meet the objectives are misguided and costly.

Before diagnosing and highlighting the report's many shortcomings — with specific reference to questions of financing — a few positive recommendations from Romanow's report merit mention.

To start, adding a sixth principle of accountability to the *Canada Health Act,* is long overdue. As is the suggestion to better clarify the meanings of comprehensiveness and portability. However, establishing a national Health Council to facilitate accountability merely duplicates existing federal and provincial reporting efforts. Moreover, while health care is a national issue, needs vary widely in different regions and one size does not fit all.

On the down side, the *Canada Heath Act* is still in need of further modernization. Public administration should be changed to public governance, and new principles of quality, choice, and sustainability were not recommended, but should have been.

> “Coincidentally, or perhaps by design, it should be observed that hiking the GST, either directly or under the guise of a dedicated health care levy, from 7% to 8.5% would net a cool $6.8 billion in 2005-2006.”

Another huge disappointment is found in Mr. Romanow's introductory ***Message to Canadians*** where he addresses the public vs. private debate and relegates the private sector's role in health care to dishwashing, corridor maintenance, laundry services and food preparation. This is at once both ideologically intransigent and intellectually dishonest.

Later in his report he trumpets telehealth, technological innovation and other science driven advancements as part of his vision of future health care. Who does Mr. Romanow think will deliver these new technologies? The private sector of course.

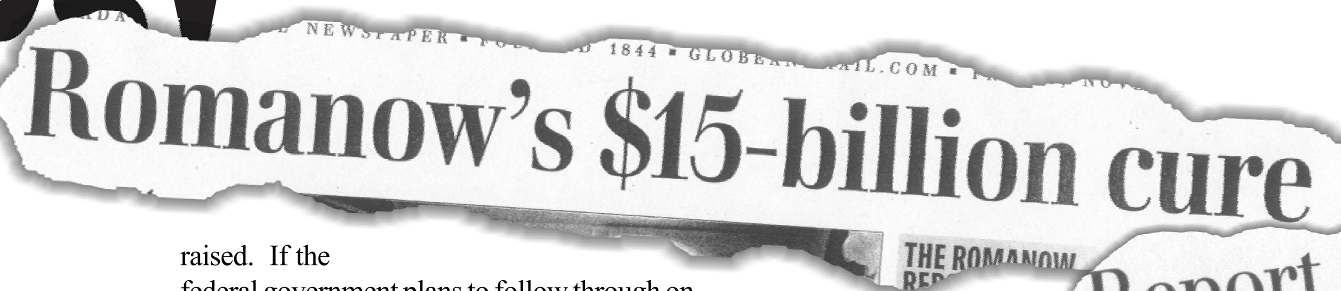
Canadians are concerned with access to timely and quality medical services. Does anyone seriously care who delivers the service as long as their health care outcomes are improved? And while Romanow is strident in his swipes at the private sector, he is mute when it comes to recent double-digit union wage settlements, which constitute extreme profit taking by organized labour for its members at the expense of patient care.

In all, the commission makes 47 specific recommendations: 20 are symbolic declarations; another 22 breed more bureaucracy, four require legislative change and one deals with the financial fallout to deal with the other 46 recommendations.

So what will all this new bureaucracy, targeted funds and increased cash for the provinces cost? Short answer: $8.5 billion over the next two years and a minimum of $6.5 billion — likely to be indexed for inflation and population growth — starting in 2005/2006 and every year thereafter.

The Royal Commission is eerily quiet on where these funds can be found and/or how they should be

"In all, the commission makes 47 specific recommendations: 20 are symbolic declarations; another 22 breed more bureaucracy, four require legislative change and one deals with the financial fallout to deal with the other 46 recommendations."


Romanow's $15-billion cure

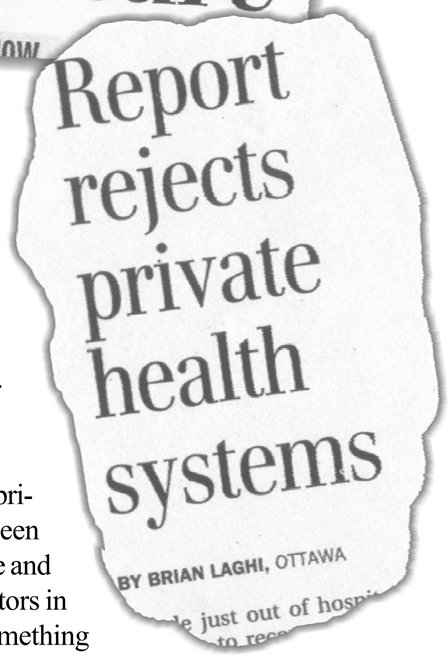
raised. If the federal government plans to follow through on Romanow's work, two basic options are available to finance this $6.5 billion tab.

Option one would require reallocation within existing federal budget envelopes and potential elimination of business subsidy schemes, regional development programs, discretionary HRDC and Canadian Heritage funding or heaven forbid, further evisceration of our armed forces. Given the government's past financial performance, it is axiomatic that this option of making hard choices will not be followed.

Which leaves option number two, raising new revenues by keeping our tax levels artificially high and pilfering the surplus of over-taxation — Mr. Romanow's preferred course of action — and/or hiking taxes. Coincidentally, or perhaps by design, it should be observed that hiking the GST, either directly or under the guise of a dedicated health care levy, from 7% to 8.5% would net a cool $6.8 billion in 2005/2006.

And while Finance Minister Manley has already pledged to jump off the peace tower before raising the GST, are Canadians safe to assume that all of the anticipated surpluses for the next five years will be used to implement Mr. Romanow's suggestions? And if so, then how will the rest of Ottawa's ambitious and interventionist Throne Speech commitments in aboriginal policy, urban regions, Kyoto commitments — just to name a few — be financed?

This dilemma is complicated even further. The royal commission ignored the multi-billion dollar capital needs (read: bricks and mortar) for new hospitals, long-term care homes and other chronic care facilities. Nor did his report tackle the issue of demographic shifts which account for billions in unfunded liabilities. The answer to meet these needs is in public-private partnerships and pre-funding models respectively. However, Mr. Romanow's ideological hostility toward the private sector forestalls any debate about finding the appropriate balance between the public, private and not-for-profit sectors in health care — something every other OECD country has had the courage to tackle.


Report rejects private health systems

BY BRIAN LAGHI, OTTAWA

The federal government has proven itself incapable of reallocating expenditures within existing budget envelopes. Equally problematic for the Prime Minister is his — and that of Mr. Manley as well — stated desires to avoid any tax increases. Finally, Ottawa's burgeoning surplus revenues are already committed to various Throne Speech initiatives. This isn't ideology, it is simple arithmetic; our health care future as presented by Mr. Romanow doesn't add up.

So for $15 million, Canadian taxpayers effectively paid $27,332 for each day of the commission's work or $42,857 for each page ($38,168 per page if you read it in French) of a report which the federal government cannot — and should not for that matter — implement. Is this the best that we can do when it comes to the nation's most pressing public policy issue?■

Book Review

Out-manoeuvring the taxman

by Troy Lanigan

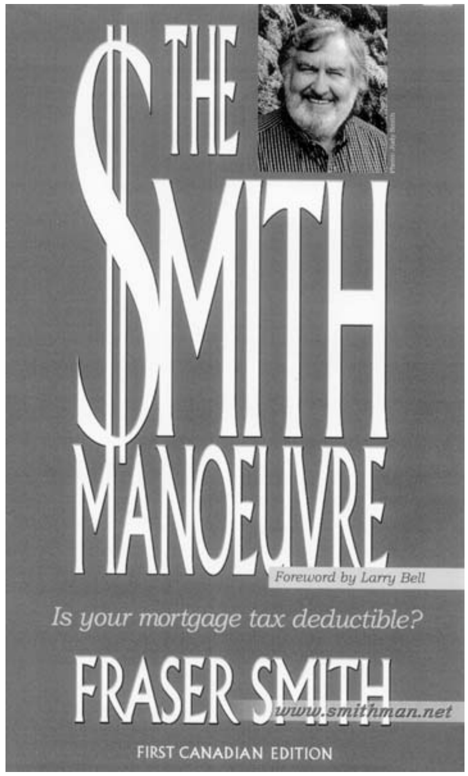
While the CTF continues in its fight for meaningful tax reduction and reform, a new book titled *The Smith Manoeuvre* by Fraser Smith offers tax savings that can be gained today.

Writes Smith: “In Canada when you borrow to buy a car, to go on vacation, to consolidate your consumer loans or to buy your home, you are prevented by law from claiming the annual interest expense of these loans as a tax deduction. Americans generally can deduct interest at tax time, and accordingly they pay less tax than we Canadians.”

Are we doomed?

Smith says no, pointing out that some types of interest in Canada *are* tax deductible. “If the money you borrow is for the purposes of investing, where you expect to earn income, then the interest on *that* loan *is* deductible.”

Most financial planning books tell you to pay off your mortgage then start an investment program. Smith says it’s good advice but adds: “to take 15 or 20 years of your life to deal with the mortgage before you begin to invest loses you 15 or 20 years of compounding time in your investment portfolio. The Smith Manoeuvre has you getting rid of your old mortgage very quickly while simultaneously starting your lifelong investment program – now.”



The Smith Manoeuvre is a debt conversion strategy that converts non-tax deductible mortgage debt to tax deductible investment debt.

It works this way: one borrows back and invests the monthly principle reduction that occurs as you make your monthly mortgage payments over the months remaining on your mortgage. Borrowing the money creates an investment loan and the interest on this investment loan *is* tax deductible. Each year when your tax refund arrives, you use this free money to make an extra payment against your mortgage, then immediately reborrow and invest the same amount.

The book of course explains the Manoeuvre in greater detail along with further steps and illustrations of how it can be used for loans other than mortgages. Additional chapters discuss the dangers of ‘bad’ debt, importance of wealth accumulation, interest expense and implementation. In addition to the book, Fraser offers a *Smithman Calculator* which enables users to graph the results for various inputs.

Smith’s book is an enlightening read and adds to the work of Canada’s investment gurus including David Chilton and Garth Turner. Just in time for Christmas, it is a must read for those looking to reduce their tax bill and increase their financial security.■

Your views:

Each year the CTF conducts a comprehensive survey to learn your views on a variety of issues and provide direction for our advocacy work. The following are responses to some of the questions asked in this year's survey conducted in August and September 2002.

1. Which one of the following do you feel should be the highest issue priority pursued by the CTF?

Uncovering waste	34%
Accountability / democratic reform issues	31%
Debt reduction	19%
Lower taxes	10%
Specific solution / policy alternatives	2%
No answer	3%

2. Do you feel your tax burden over the past two years has increased, decreased or remained the same.

Increased	74%
Decreased	7%
Same	17%

3. If federal taxes were to be cut which one tax would you give the highest priority to reducing?

Personal Income tax	37%
GST and sales taxes	33%
Gas taxes	14%
Payroll taxes	7%
Business / corp taxes	4%
Customs and excise tax	1%
Undecided	4%

4. Please select what you feel should be the top priority for the federal government.

Economic policy	53%
Health care reform	17%
Aboriginal policy	11%
Trade policy	9%
Defence policy	3%
Social policy reform	1%
Environmental protection	1%
National Unity	1%
Write in Electoral reform	3%
Write in Accountability	3%
Other/no answer	4%

5. Do you support the government's efforts in addressing international climate change through the Kyoto protocol?

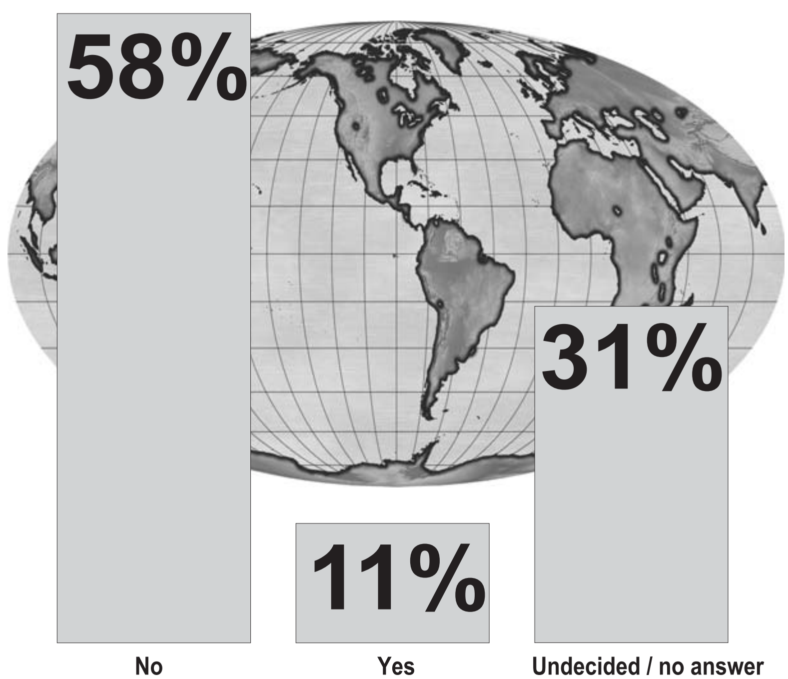
Yes	17%
No	55%
Undecided	26%
No answer	2%

5a. If yes, would you support those efforts if they were to result in job losses or other negative economic consequences?

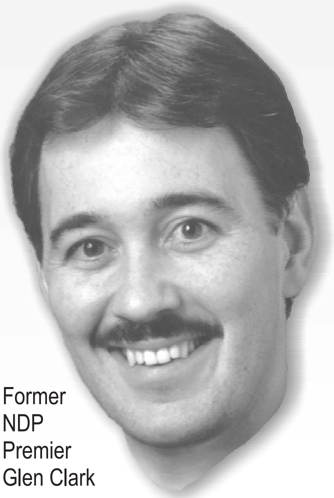
Yes	64%
No	15%
Undecided	21%

Supporter survey response:

Do you support the government efforts in addressing international climate change through the Kyoto protocol factoring in changes to answers when economic concerns are brought up (question 5a).



Public service cuts *Long* overdue



Former NDP Premier Glen Clark

by Victor Vrsnik

The BC Government and Services Employees Union's (BCGEU) outpour of sentiment for the apparent loss of income to Interior communities following 700 layoffs in the Ministry of Forests is touching but should fool no one as to their greatest loss – compulsory union-dues.

Nor is it a surprise to see the sky-is-falling green lobby join in the melee. The David Suzuki Foundation and the Sierra Club were both quoted on a BCGEU press release slamming the Campbell government's staff cuts and changes to the forestry code.

The public pressure they squeeze on the government and BC lumber industry will impress no one more than the American foundations that gave U.S. $635,000 to the David Suzuki Society and another U.S. $367,000 to the Sierra Club between 1998 and 2000.

The special interest groups' indignation is predictable. What's troubling is their historical amnesia over why the Liberal government is now compelled to chip away at BC's public sector.

"Between 1991 and 2001, the number of BC public sector employees grew by 17%. Over the same period, Alberta registered a 21% decrease while Ontario cut its public sector by 12%, according to Statistics Canada data."

Step back 10 years in time and BC's NDP government is ratcheting up public sector spending at an alarming rate while the other provinces are cutting back or holding the line on spending to balance the books. Between 1991 and 2001, the number of BC public sector employees grew by 17%. Over the same period, Alberta registered a 21% decrease while Ontario cut its public sector by 12%, according to Statistics Canada data.

Public sector wages and salaries in British Columbia outstripped the country as well. BC's public sector wages rose by 64% between 1991 and 2001 compared to 21% in Alberta and only 8% in Ontario. Unlike Alberta and Ontario, BC is in no position to play Santa Claus.

Today's modest civil service cuts were inevitable. BC taxpayers can not sustain the cost of a bloated bureaucracy in the face of a $4 billion deficit and a growing debt.

It's tragic for each of the 700 employees and their families who lost their government jobs. But the blame is misplaced. Had the previous NDP

"BC's public sector wages rose by 64% between 1991 and 2001 compared to 21% in Alberta and only 8% in Ontario."

Provincial public sector wages & salaries ($ millions)

Province	1991	2001	% Change
British Columbia	4,567	7,504	64.3%
Alberta	4,102	4,985	21.5%
Ontario	13,843	14,952	8.0%

government exercised some common sense in the 1990s and kept public service costs in line with those of other provincial governments, today's 700 employees would likely be employed in a more buoyant private sector and still have a job today.

The NDP government should never have created the expectation that public sector jobs were sustainable when they had neither the means nor resources to fulfil that commitment.

No one comes out smelling like roses after issuing 700 pink slips. But it's the logical extension of reckless NDP hiring in the 1990s that stemmed from a misguided philosophy that government owes everyone a job.

To repair the damage from the lost decade, the BC government should commit to trim public sector spending in line equal or below the Canadian average, balance the books and in doing so, restore investor confidence in British Columbia.

The true test of the government's spending restraint program will be in the creation of an abundance of private-sector job opportunities that spring from a new and dynamic provincial economy.■

Public Sector Employment
(Average Number of Employees)

Province	1991	2001	% Change
BC	155,353	181,387	16.8%
Alberta	150,784	119,524	-20.7%
Ontario	425,015	373,164	-12.2%

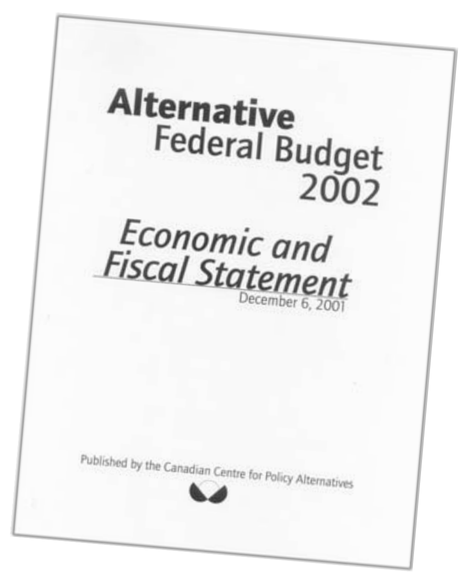
Employment data are not in "full-time equivalent" and do not distinguish between full-time and part-time employees.

NDP *Busted* for Cronyism

A Freedom of Information request by the Canadian Taxpayers Federation found that the previous NDP government gave $200,000 to the Canadian Centre for Policy Alternatives (CCPA), a left-leaning think tank and lobby group. The 11th hour approval was made a day before the fiscal year closed and 18 days before the NDP called the last election.

On the strength of a two-page CCPA proposal outlining some remarkably vague policy themes, the NDP government awarded the organization $200,000 in 2001 for "ongoing research into inequality and social justice". The NDP direct awarded the money instead of tendering it out on the grounds that the CCPA was a "unique organization" and that "only one contractor is qualified to perform the services."

Why would the NDP government in its last days of power buy a slew of subscriptions from the Canadian Centre for Policy Alternatives (CCPA) for publications freely available on the CCPA's website?



The fact that funds were made available through the "contingencies" budget line demonstrates that the government had no prior intention to pay for CCPA research when the budget was first written. Only through an 11th hour scramble were they able to shovel funds to the CCPA knowing that their days in government were numbered.

Further research into the province's annual *Public Accounts* reveals that the previous NDP government paid another $210,186 to the CCPA between 1993 and 2001 for subscriptions and publications.

The Ministry of Finance paid $105,000 for a three-year 'enhanced government subscription' to the CCPA in 1997, 1999, and 2000. In exchange, the ministry was entitled to 50 copies per year of the monthly *CCPA Monitor*, the quarterly *BC Commentary* and other CCPA publications.

In contrast, the Canadian Taxpayers Federation mails its bi-monthly magazine *The Taxpayer* and its studies free of charge to all federal and provincial elected officials.

On one hand the Canadian Centre for Policy Alternatives criticizes the government for giving taxpayers a tax cut, while with its other hand grabs $200,000 from taxpayers' wallets.

The NDP wasted tens of thousands of tax dollars for information made available free of charge on the CCPA web site. Even if the government wanted to buy a CCPA subscription, there was no need to spend a fortune on multiple copies when the information could easily have been downloaded.

British Columbia motorists paid a hefty premium for ICBC to buy a 2-year $24,000 CCPA subscription in 1998 and 1999. It's puzzling why a public auto insurance company would pay $12,000 per year for dozens of unnecessary copies of CCPA information on "welfare policy, WTO negotiations and tax cuts". ICBC should work toward affordable car insurance premiums instead of wasting motorists' money on lobby groups.

No one is questioning the existence of the CCPA, but is it necessary for taxpayers to finance them? If Premier Campbell transferred half a million dollars of taxpayer's money over to the CTF, the NDP would have rightly lit their hair on fire!

The CTF, of course, receives no government funding and does not issue charitable tax receipts.■

What they said...

"Today, it [the CCPA] looks more like a privatized version of the NDP research department."

- Les Leyne, columnist for the *Victoria Times Columnist*, November 21, 2002

"What a sneaky, slimy move by the NDP. What a waste of your money… You deserve a refund all right. Every red cent."

- Michael Smyth, columnist for the *Vancouver Province*, November 21, 2002

"What research was going to be done in the final days of the NDP government for $200,000 that was going to help taxpayers? Nothing."

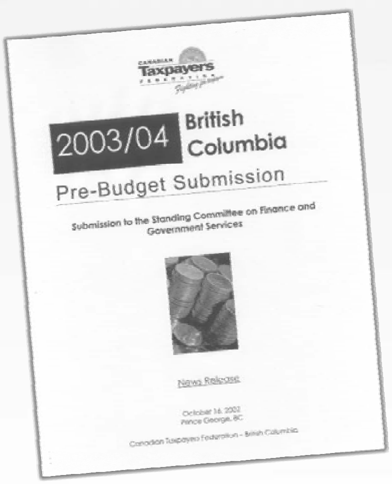
- Finance Minister Gary Collins, *CBC TV*, November 20, 2002

"It indicates the NDP was probably less interested in the research… and more interested in supporting a like-minded lobby group."

- Victor Vrsnik, CTF-BC Director, *Vancouver Sun*, November 21, 2002

BRITISH COLUMBIA

The CTF *Makes* its 2003-04 prebudget submission



The Canadian Taxpayers Federation- BC presented its 2003/04 pre-budget submission to the Select Standing Committee on Finances and Government Services in Prince George, on October 16th, 2002. Here is a summary of the main recommendations:

Recommendations:

- The British Columbia government should continue to improve provincial economic conditions by staying the course on its three-year fiscal plan;
- Commit to balancing the budget within two years and thereafter legislate a debt-repayment schedule;
- Revenues permitting, reverse tax increases from the February budget or restore the equivalent tax take through other effective tax reductions;
- Continue with planned spending reductions over the next two years.
- Target government spending and public sector employee numbers and salaries to levels equal or below the Canadian average.
- Improve quality of health care and cost effectiveness by establishing private medical services and insurance to operate in tandem with the public health system.
- Press for a national referendum on a specific legislative proposal on emission-control targets and their economic impacts.
- Allow drilling for oil and gas on British Columbia's coast if it can be done in a safe manner.

The full report can be found at the CTF's website at: www.taxpayer.com.■

> "Revenues permitting, the British Columbia government should reverse tax increases from the February budget or restore the equivalent tax take through other effective tax reductions."

> The British Columbia government should continue with its planned spending reductions over the next two years.

Will Ralph Klein raise your taxes "for health care" again?

by John Carpay

Taxes – both provincial and federal – will continue rising as long as government continues to be the primary health care funder, the primary health care provider, and the sole health care evaluator. It's no wonder that our health care woes appear unending, considering that our current system lacks accountability, choice, and incentives for efficiency. More tax increases are the inevitable result of government providing "free" services to meet an unlimited demand. Efficiencies will never be found when government functions in the conflicting roles of funder, provider and evaluator.

Federally, the Romanow Commission and some Liberal cabinet ministers seem to be laying the groundwork for another tax increase "to pay for health care." This is all part of a Canadian tradition. As detailed in *Tax Me I'm Canadian -- Your money and how politicians spend it* health care has often served as the sugar coating to cover the bitter pill of tax increases.

In 1916 Prince Edward Island increased taxes through the War and Health Tax Act. In 1939 Saskatchewan increased municipal taxes through the Municipal and Medical Hospital Services Act. In 1948 Ontario used the Hospital Tax Act to enact a 20% amusement tax. In 1959 Nova Scotia imposed a 3% retail sales tax known as the Hospital Tax. In the 1970s Manitoba labelled its 5% addition to personal income taxes as the "Hospital Services Tax." In 1984 B.C. introduced a 4% surtax on personal income tax as a "health care maintenance" tax – and then raised it to 8% in 1985. In 1991 the NDP in Ontario imposed a high-income surtax, which the Conservatives later kept in place as a "fair-share health care levy."

This great Canadian tradition is alive and well in Alberta too. In March, Ralph Klein increased health care premiums by 30%, part of $641 million in tax increases. Each Albertan now pays $528 per year instead of $408. Families now pay $1,056 per year instead of $812. Health care premiums flow into the Alberta Government's General Revenues, just like fuel tax, business taxes, tobacco and alcohol taxes, etc. Health care premiums don't pay for health care any more (or less) than oil and gas royalties do.

This tax increase was sold to Albertans as a necessary part of "health care reform" recommended by the

"Ralph Klein increased health care premiums by 30%, part of $641 million in tax increases. Each Albertan now pays $528 per year instead of $408 ... Health care premiums flow into the Alberta Government's General Revenues, just like fuel tax, business taxes, tobacco and alcohol taxes ... Health care premiums don't pay for health care any more (or less) than oil and gas royalties do."

Mazankowski Report. But in fact the Mazankowski Report states that "increasing health care premiums would have no effect on moderating demand for health care services. If decisions are made to increase health care premiums, there should be corresponding benefits to Albertans including more choice, better access, and more control over how they spend their health care investment."

The very purpose of the Mazankowski Report was recommending reform to the health care system, instead of simply throwing more money at it. The need for changing the system itself is obvious when you consider that Alberta now spends $6.9 billion per year on health care – 73% more than the $4 billion spent in 1996. If the system itself is not changed, health care will consume half of the provincial budget by 2008. If no changes are made after 2008, there will eventually be only two government ministries: Revenue to collect taxes, and Health to spend them.

The Alberta government used the Mazankowski Report as a cover for a blatant tax increase. Don't think this won't happen again when the next budget is introduced in March of 2003. Already some MLAs are talking about charging Albertans a "deductible" for using the health care system, added to a person's income tax at the end of the year. This deductible would be "capped" at a small percentage of a person's taxable income (eg. 4%). If this deductible was added to the taxes Albertans already pay, it would be another tax increase.

Alberta's $6.9 billion health care budget is paid out of General Revenues. General Revenues come from income tax, property tax, health care premiums, and other taxes. In Alberta, a household earning $100,000 per

Alberta taxpayers want protection

A CTF-commissioned poll reveals that 83% of Albertans want provincial legislation requiring any proposed tax increases to be put to voters for their approval in a referendum. In November 2002, JMCK Polling asked 1,224 people from across Alberta the following question:

"Some Canadian provinces, some American States, and some foreign countries have taxpayer protection laws which require voters to approve, in a referendum, any tax increases before they go into effect. Currently in Alberta, politicians can increase taxes at any time, without the approval of taxpayers in a referendum. Do you think Alberta should have taxpayer protection legislation?"

In response, 82.9% of Albertans supported taxpayer protection legislation; 15.9% opposed it; and 1.2% answered "don't know."

Currently, the *Alberta Taxpayer Protection Act* only requires that a referendum be held on the introduction of a general sales tax. All other tax increases do not require voter approval.

This past March, Premier Ralph Klein's government raised taxes by $641 million, after promising before the 2001 provincial election that "the only way taxes are going is down." If Alberta had taxpayer protection legislation like Manitoba, the state of Washington, Switzerland and other jurisdictions, Ralph Klein would not have been able to break his pre-election promise.

Some Canadian provinces, some American States, and some foreign countries have taxpayer protection laws which require voters to approve, in a referendum, any tax increases before they go into effect.

year pays three times as much in provincial income tax as a household earning $50,000 per year. Higher income earners already pay more for health care, because they pay more taxes. Adding a deductible would force higher income earners who use the health care system to pay even more money.

However, if this new deductible was introduced along with a tax cut, to make it revenue neutral, it would be a positive step in health care reform. A deductible would introduce a measure of accountability into the system, by creating a direct link between using health care and paying for it.

Governments in Canada are spending more on health care than ever before. Giving government more money won't solve the problem. The system itself needs to change.

It is often said that death and taxes are the only two certain things about life. Add a third certainty: taxes will continue rising as long as government's current role in the health care system remains unchanged.■

CTF Supporter Survey

Your views on Alberta issues....

The following is a summary of the questions to and responses from CTF-Alberta supporters from this year's annual supporter survey conducted in August and September 2002.

1. Should Epcor, Enmax and other municipal corporations be subject to the same provincial taxes and regulations as private companies which supply energy and utilities?

Yes 79%
No 6%
Undecided 14%
No answer 2%

2. Should Epcor, Enmax and other municipal corporations be privatized to stimulate competition in the provision of electricity and other utilities?

Yes 45%
No 25%
Undecided 28%
No answer 3%

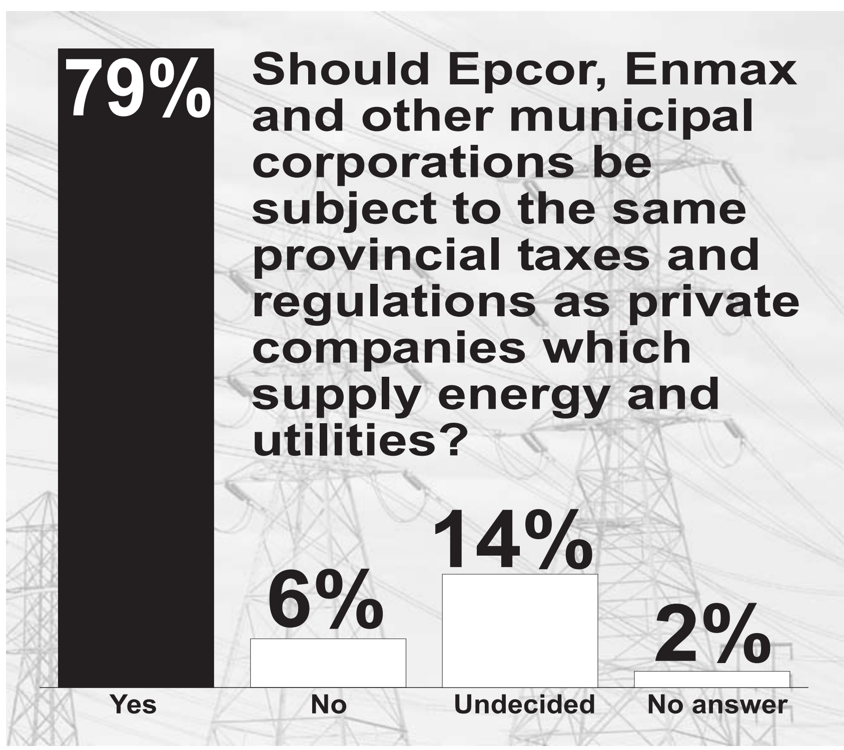
3. In addition to the number of years worked and the level of education achieved, should competence, performance and merit be added as criteria for determining teachers' salaries?

Yes 91%
No 5%
Undecided 2%
No answer 2%

4. Should the Alberta government stop relying on VLT revenues, and phase out VLTs entirely?

Yes 44%
No 33%
Undecided 22%
No answer 2%

5. Should individuals / businesses have complete freedom of contract, and the



absolute right to hire, promote, fire, rent, buy, and sell – without interference from the Alberta Human Rights Commission?

Yes	71%
No	14%
Undecided	12%
No answer	3%

6. Should the Alberta government pay for subsidized housing for low income people?

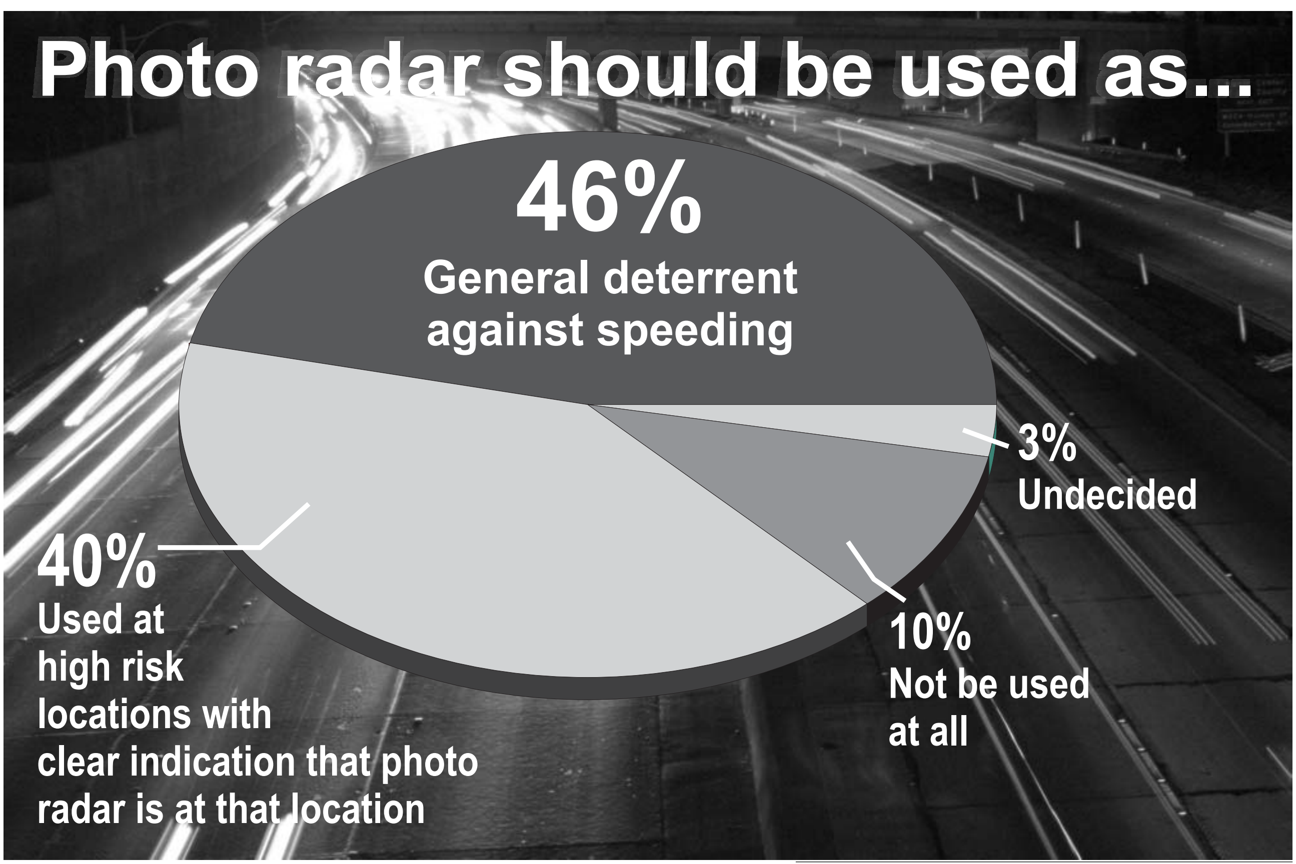
Yes	44%
No	24%
Undecided	30%
No answer	2%

7. What should be the top three priorities for the CTF over the next 12 months?

1. **Advocating improved fiscal legislation, to control spending and protect taxpayers**: 46% made this their top priority, and 78% had it as first, second or third.
2. **Pushing for a law to enable Albertans to initiate and vote in referendums on issues of their choice**: 15% made this their top priority, and 48% had it as their first, second or third priority.
3. **Uncovering & exposing wasteful government spending**: 11% made this their top priority, and 50% had it as first, second or third priority.
4. **Promoting educational reform: more accountability, greater choice for parents & students, and merit pay for teachers**: 12% made this their top priority, and 40% had it as first, second or third.
5. **Advocating that the Heritage Fund be built up, with the goal of eliminating Alberta's personal income tax in the future**: 8% made this their top priority, and 41% had it as first, second or third.
6. **Fighting for a transparent, accountable process for determining MLA compensation**: 2% made this their top priority, and 20% had it as their first, second or third priority.

8. Photo radar should …
(please select one only)

Be used as a general deterrent against speeding	46%
Be used only at high risk locations, accompanied by a clear and visible sign that photo radar has been set up at that location	40%
Not be used at all	10%
Undecided & no answer	3%



Is Saskatchewan seeing the light?

Mixed signals on Kyoto

by David MacLean

Despite the rather ominous implications of the Kyoto Protocol, the Saskatchewan government was, until recently, very quiet. During the dog days of summer and into fall, while Ralph Klein ratcheted up Alberta's fight against Kyoto, the Saskatchewan government continued asking Ottawa to see the plan, but never outlined their official position on the controversial scheme.

Not anymore. In a suspiciously sudden change in tone, the Saskatchewan government began sending a very strongly-worded message to Ottawa: "If it hurts Saskatchewan, we're not supporting Kyoto."

An 18-page report released by the Saskatchewan government sets out 19 points it is using to evaluate the Kyoto implementation plan. These guidelines raise the bar so high that Ottawa will never satisfy the requirements. The first point demands that "Stakeholders and residents should have an opportunity for full and informed input into the development of the plan and ratification decision." Sorry, too late on that one.

Another guideline states that "the plan should not place an unfair burden on any jurisdiction or sector." This point is moot. By its very nature, the Kyoto Protocol effects the energy industry more than any other sector. Where was this government five years ago when Kyoto was negotiated?

The report also suggests that any implementation plan should maintain the economic competitiveness of Saskatchewan's businesses and industries. Premier Calvert is already aware of the dramatic impact Kyoto would have on Saskatchewan's economy. A report written by his own staff, obtained by the CTF through Freedom of Information, estimates Saskatchewan's CO_2 emissions as a proportion of the provincial economy are nearly three times higher than the Canadian average. The ratio of CO_2 to $1000 of GDP is actually higher than Alberta's. Saskatchewan has a lot to lose under Kyoto.

Despite it's conciliatory title, *Making it Work: A Saskatchewan Perspective on Climate Change Policy* marks a dramatic shift in the province's Kyoto policy. Why the sudden change in attitude? It may be that the province is finally listening to the multitude of businesses and advocacy groups opposed to Kyoto.

If the Alberta hypothesis that people oppose Kyoto when they learn how much it costs holds up, the percentage of anti-Kyoto Saskatchewanites is likely to approach Alberta numbers. Perhaps *Making it work* is a sign that Premier Calvert is *Making some sense.*

Meanwhile, Saskatchewan is forging ahead with a government-subsidized ethanol industry. The province announced that it is "investing" as much as $55 million to build three ethanol plants in rural Saskatchewan. MLAs cheerfully point out that increased consumption of ethanol-blended gasoline will help Saskatchewan meet Kyoto targets. Yeah, Right. Saskatchewan's ethanol scheme is nothing more than corporate welfare under the guise of environmental altruism.

In stark contrast to the tax-dollar-guzzling ethanol plants, the province is increasing its

> "Premier Calvert is already aware of the dramatic impact Kyoto would have on Saskatchewan's economy. A report written by his own staff ... estimates Saskatchewan's CO_2 emissions as a proportion of the provincial economy are nearly three times higher than the Canadian average."

exposure to the costly Protocol by reducing oil and gas royalty rates – an initiative aimed at sparking more activity in oil and gas sector. In October, NDP MLAs proudly displayed the policy change as signal to the world that Saskatchewan is open for business.

> “Saskatchewan’s ethanol scheme is nothing more than corporate welfare under the guise of environmental altruism.”

The Saskatchewan government is suffering from acute Kyoto schizophrenia. On a seemingly daily basis, Cabinet Minister’s contradict each other. Industry and Resources Minister Eldon Lautermilch is using fighting words on Kyoto like “legal action.” Meanwhile Premier Calvert continues to espouse the virtues of environmental protection and jurisdictional cooperation. Political observers are scratching their heads.

For now, all we can go on is what the province has on paper. Despite the soft sell, *Making it work* creates a set of guidelines that are impossible for Ottawa to meet. While it’s unlikely that the province has seen the light with regard to Kyoto, at least there are indications that their eyes are finally open.■

SaskTel having an identity crisis

The government-owned and operated telephone company now wants to be a TV company. SaskTel, Saskatchewan’s crown telephone company has embarked on an ambitious $60 million plan to provide television signals to Saskatchewan homes.

SaskTel is offering a web-based interactive television service that enables viewers to surf the net and watch TV on their television sets. The technology is clunky and hasn’t worked in any other markets, despite some serious capital thrown at it by major players in Atlantic Canada.

Next to taxpayers, the biggest victim of this misguided attempt at diversification are privately run concerns like the cooperative, non-profit Access Communications and Shaw Communications. Competition with private sector suppliers is tough enough. Imagine facing off against taxpayer-backed SaskTel, bound and determined to take 20 per cent of your business.

SaskTel is now suffering from severe mission creep. We have to ask ourselves what public policy objectives SaskTel is meeting by a dicey scheme like webTV. What economic development objectives do they hope to achieve that couldn’t be done more cheaply by the private sector? Is there a strong business case for webTV?

For $60 million, the province of Saskatchewan could put a brand new computer in 120,000 schools, libraries and hospitals province-wide.■

> “SaskTel is offering a web-based interactive television service that enables viewers to surf the net and watch TV on their television sets. The technology is clunky and hasn’t worked in any other markets, despite some serious capital thrown at it by major players in Atlantic Canada.”

Taxpayer wallets "wide open" for re-election campaign

by David MacLean

If there ever was any doubt, there isn't anymore. The $2 million Wide Open Future campaign is a cynical, taxpayer-funded pre-writ campaign conducted by a government desperate for re-election.

There is an old adage that a wounded and cornered animal is most dangerous. The government is certainly wounded, and they are pulling out all the stops in an effort to maintain their hold on power. The Wide Open Future Campaign, launched in October to much fanfare, is an affront to democracy, and an insult to the residents of Saskatchewan who toil under onerous and backward provincial tax policies.

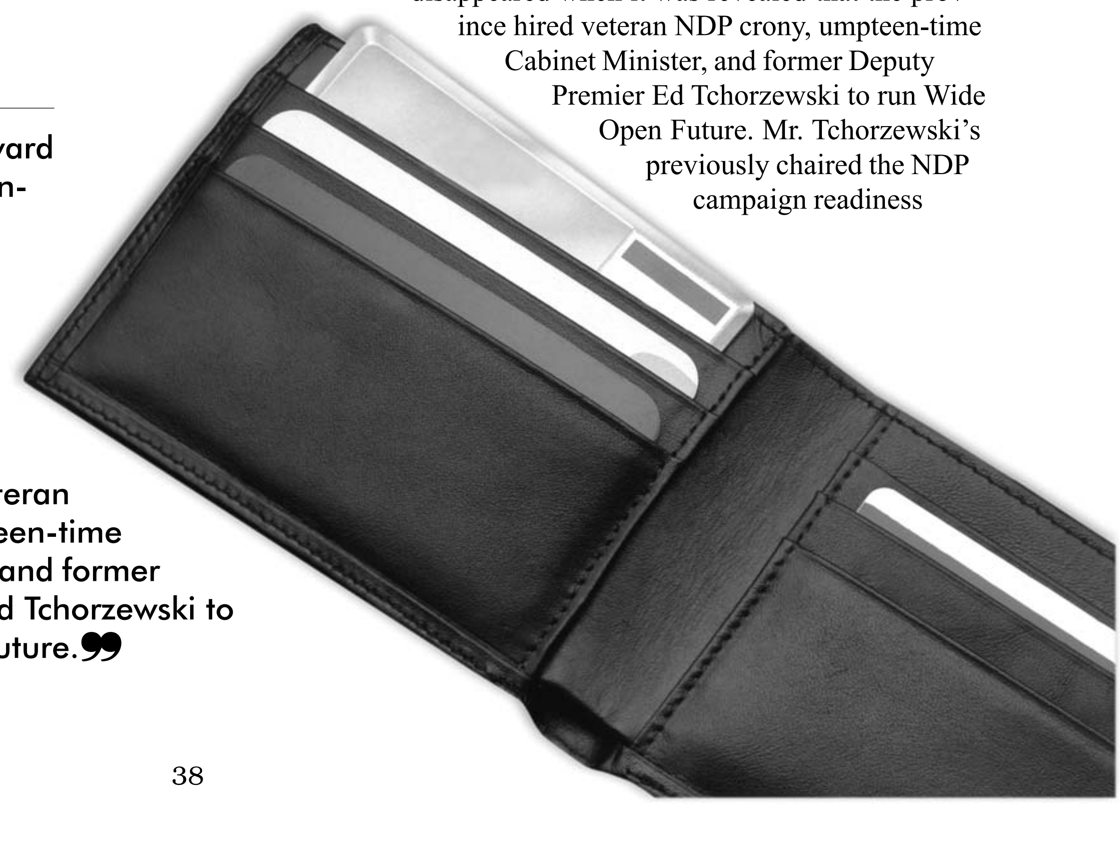
> "There is an old adage that a wounded and cornered animal is most dangerous. The government is certainly wounded, and they are pulling out all the stops in an effort to maintain their hold on power."

The stated purpose of the campaign is to show the rest of Canada what a wonderful place Saskatchewan is to live, and to win back the expatriates in Calgary, Edmonton and Vancouver. Unfortunately, people in those cities won't be seeing those catchy ads because the majority of them run only in Saskatchewan. The intended audience is not expatriates or outside opinion leaders as the government insists — the audience is the Saskatchewan voter.

The campaign is manipulative because it goes for our hearts, and not our minds. It plays on our feelings of loyalty and patriotism, and attempts to channel them toward the government's political gain. It's cynical because the government knows that 'appearing' to do something is more politically expedient than actually affecting change.

Whatever outward appearance of non-partisanship the million-dollar campaign had at the outset disappeared when it was revealed that the province hired veteran NDP crony, umpteen-time Cabinet Minister, and former Deputy Premier Ed Tchorzewski to run Wide Open Future. Mr. Tchorzewski's previously chaired the NDP campaign readiness

> "Whatever outward appearance of non-partisanship the million-dollar campaign had at the outset disappeared when it was revealed that the province hired veteran NDP crony, umpteen-time Cabinet Minister, and former Deputy Premier Ed Tchorzewski to run Wide Open Future."



committee, but now he's running the NDPs political campaign from the Premier's office – at taxpayer expense.

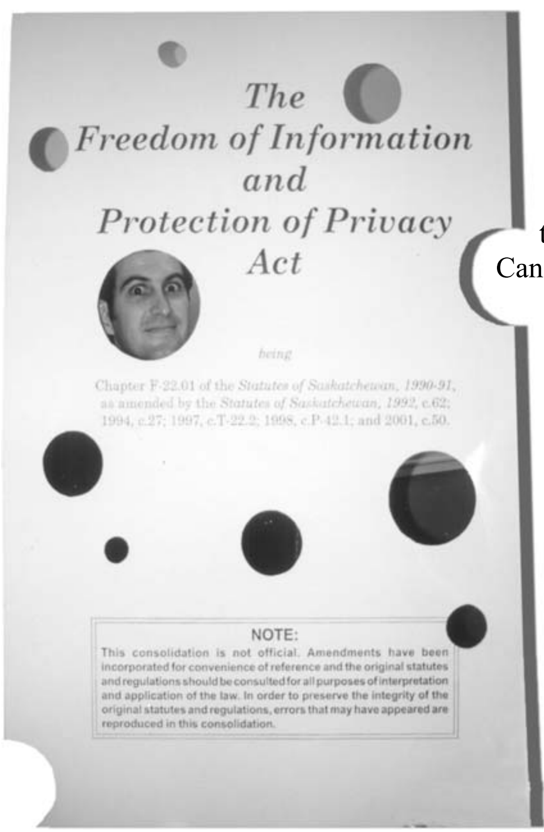
There are those who look at this campaign and roll their eyes, shrug their shoulders and say "that's politics for you." Many remember past gimmicks pulled off by former leaders going back to Pierre Trudeau's "the land is strong" campaign. People laugh when they remember Grant Devine's ridiculous Rally 'Round Saskatchewan stunt. This is an age-old strategy employed by political parties of all stripes.

We can shrug our shoulders and let this assault on basic democratic principles slide off our backs. We can file this away as just another reason to distrust government, another reason not to vote in the next election. But we can also stand up and tell this government that we aren't falling for it. The NDP – NOT taxpayers – should pay for this.

Here's a little game you can play while you're watching television in the evening. Keep a pen and paper on the coffee table. Each time you see a Wide Open Future television ad, write it down. Every time that commercial airs during West Wing, it costs the taxpayer around $800. If it interrupts an episode of ER, it cost us around $1,000. Sportsnet charges $1,500 per spot during hockey games. Keep track. Compare notes with friends. You'll see thousands upon thousands of taxpayer dollars being used to support the NDP's re-election.

This taxpayer-funded political campaign to re-elect government MLAs must be stopped immediately. Instead they need to focus on fostering an economic climate that keeps young people working, conducting business and raising families. Then we would have something to sell to expatriates.■

Saskatchewan information law has more holes than Swiss cheese



In his final news conference as provincial director, Richard Truscott exposed the myriad of holes in Saskatchewan's Freedom of Information law.

Simply put, Saskatchewan's Information and Privacy Law has more holes than Swiss Cheese. Access to information laws across the country are vitally important for individuals and citizen groups. The Canadian Taxpayers Federation (CTF) uses the law hundreds of times each year to expose government waste and allow citizens a better view into the inner workings of their government.

Saskatchewan's information law has three major holes. The biggest is the eight pages of exemptions that restrict access, rather than facilitate it. The second hole is the farcical review and appeal process. The Office of the Information Commissioner is chronically under-funded and without any real power to intercede on behalf of the voting public. The third major hole is the 25-year exemption for Cabinet documents. We believe a five-year exemption, plus a subsequent discretionary five years is a fair balance between Cabinet confidence and the rights of citizens to access the information they paid for.■

Why high business taxes hurt investment in Manitoba

by Adrienne Batra

A recent study on investment conducted by the Institute of Chartered Accountants of Manitoba (ICAM) has reaffirmed what the CTF has been saying for a long time — business taxes need to be cut.

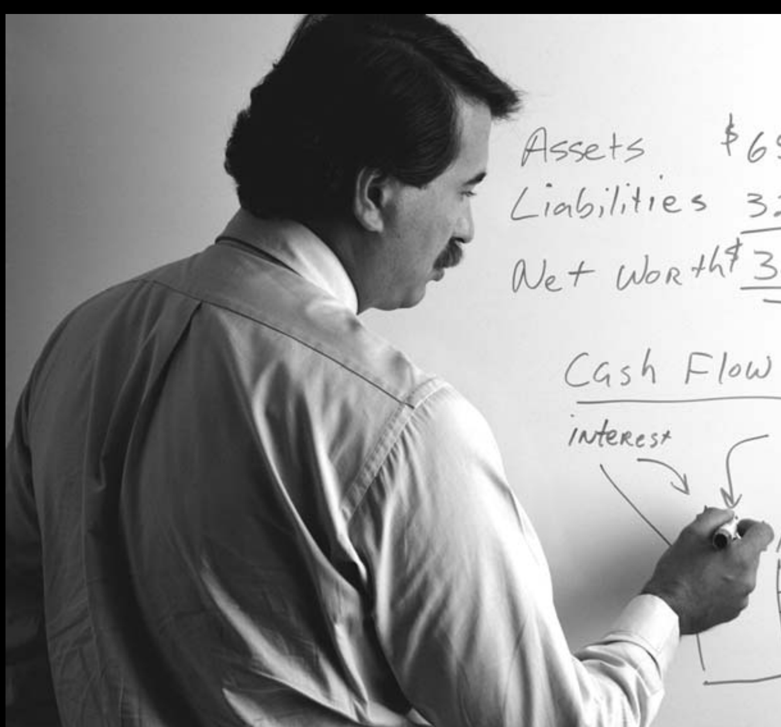
ICAM's study looked at six jurisdictions, measuring Manitoba to Alberta, BC, Saskatchewan, and Ontario (and Canada as a whole) as a place to work, live and invest. Manitoba has fallen behind Alberta, BC and Ontario in providing meaningful tax relief. The study concluded that even though the province has been reducing the small business tax, the rates charged to large business is the highest of the six jurisdictions studied.

ICAM's CEO, Gary Hannaford stated "the small business corporate tax reductions make Manitoba very competitive with other provinces, however we have not seen the same aggressiveness in reductions to the general corporate tax rate."

Here is the problem: Manitoba's tax rate is 16.5% and has not changed since the mid 1990's. Alberta boasts a 13.5% rate while Ontario is 14% for 2001. These percentages alone show that Alberta and Ontario are going to enjoy a higher return on their investments since the rates are lower.

Paying down debt is also a priority when it comes to investment dollars coming to Manitoba. ICAM's study showed that as the debt-to-GDP ratio is reduced, the investment climate will improve. Since less money would be allocated for interest payments on debt, there is more flexibility to allocate those funds elsewhere.

High taxes result in businesses relocating to jurisdictions with



Here is the problem: Manitoba's tax rate is 16.5% and has not changed since the mid 1990's. Alberta boasts a 13.5% rate while Ontario is 14% for 2001. These percentages alone show that Alberta and Ontario are going to enjoy a higher return on their investments since the rates are lower.

lower tax rates. In some cases they go to other countries, but more often than not they go to another province. Governments need to recognize that by lowering taxes they actually retain and even grow their tax base

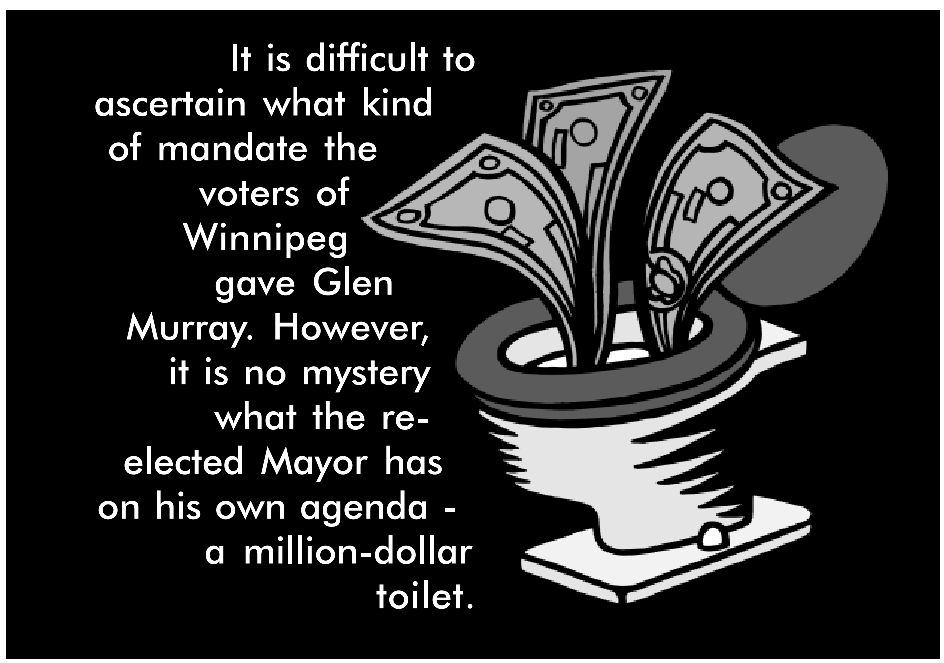
The government should be doing whatever it can to ensure that Manitoba be competitive with other provinces because according to budget documents, our province relies heavily on business income taxes. Since 1999, the province has raked in over $1.2 billion from business income taxes alone. In that same time period, Alberta amassed over $6.6 billion. During the same time frame, Manitoba's population grew by 0.6% and Alberta's by 3.5% Maybe there is something to be said about having a lower rate?

It is worth mentioning that compared to other industrialized nations, Canada has one of the highest combined federal-provincial business tax rates. This already puts us at a significant disadvantage, however Manitoba could do its part by lowering its business tax rate. This would help stimulate the economy, put downward pressure on out migration, and most important give Manitoba businesses a competitive advantage.

So, Mr. Finance Minister here's a thought — rather than wait for every other province to lower its tax rates and attract all of our businesses there, why doesn't our province take the initiative and get ahead of the game? Bottom line: Manitoba should reduce business income tax rate to a level much lower than 16.5 percent; it just makes sense.■

Time to flush $1 million down the toilet

Now that the civic election has come and gone, it is time for the powers that be at City Hall to get back to the serious business of running the city. Since the election was relatively thin on issues it is difficult to ascertain what kind of mandate the voters of Winnipeg gave Glen Murray. However, it is no mystery what the re-elected Mayor has on his own agenda — a million-dollar toilet.



This most recent brainchild from the Mayor was to approve funding for a $1-million toilet on the Provencher footbridge. Yes you read that correctly — $1-million for a toilet! The footbridge is undergoing a $5 million facelift where a plaza, fixed upon a central tower, will be the new home to a 3,000 square foot commercial space which will include a restaurant. So, since this facility will be used by the public there has to be a bathroom — but herein lies the problem. The Provencher footbridge is not equipped with water and sewer lines and new ones will have to be built. It should be noted that (according to city Public Works spokesman Bob McDonald)

the $1-million price tag does include the cost of all utilities, but the bulk of the cost is for the toilet.

If you're not shaking your head by now, it gets worse — the City won't likely make much of a return on the investment either. Gerald Dorge, CEO of Enterprise Riel Inc, the organization responsible for finding a "suitable tenant" for the space claims that much of the rent money for the space will be based on a percentage of the restaurant's sales.

Hello, Mr. Mayor — remember us? The taxpayers of Winnipeg that so desperately need more disposable income so that we can fix our cars because the roads are worse than a war zone?

One has to wonder how the City can afford so much money to hook up a toilet when there are other, more important issues that should be taking priority. Winnipeg homeowners pay the highest property taxes in the Capital Region, $1 million could be used to relieve some of the burden. The Winnipeg Police Service could have used the money to put more police officers on the streets; $1- million could have been put towards a reduction in the small business tax, or perhaps the money could have gone to pay down some of the City's debt.

What else could this money have bought? It could have paid for one year's university tuition for 250 students, it could buy 1000 roundtrip tickets to Disneyland or, it could offset the increase that homeowners are going to have to pay for increased Hydro costs.

This cockamamie idea gives a whole new meaning to government waste. As his first order of business back at City Hall, Glen Murray should take this idea and (pardon the pun) flush it.■

Survey

Here's what you had to say...

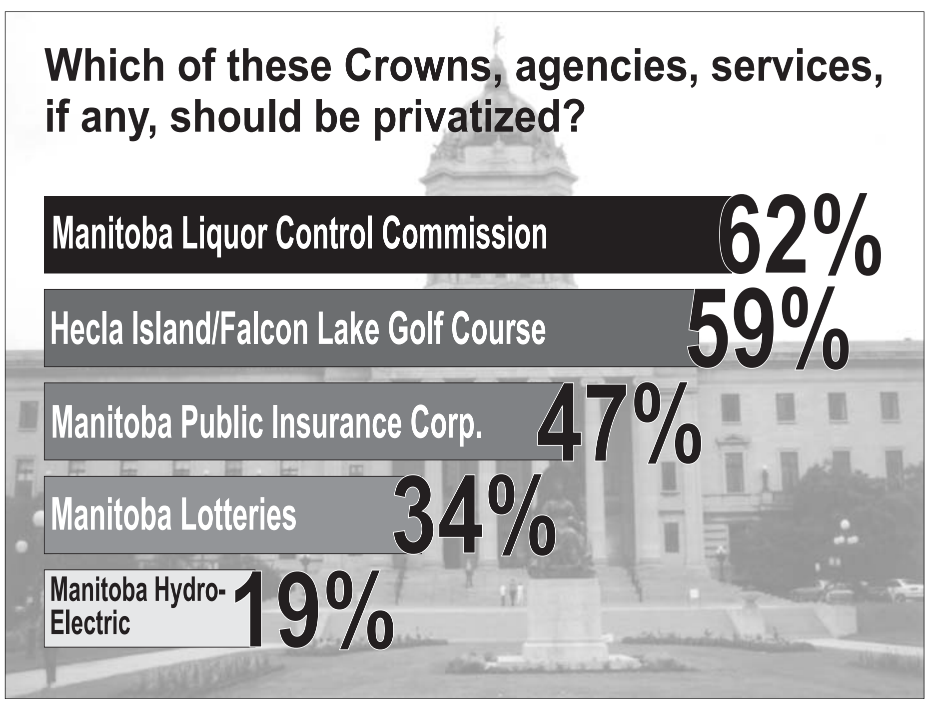
Each year the Canadian Taxpayers Federation sends out an annual supporter survey so we can hear from **you** on a variety of issues. This is what CTF-Manitoba supporters had to say:

1. Do you believe current provincial tax rates allow Manitoba to successfully compete with other provinces for new business development?

Yes	13%
No	68%
Undecided	18%

2. Which of these Crowns, agencies, services, etc., if any, should be privatized first? Second? Third? (combined 1st, 2nd and 3rd)

Manitoba Liquor Control Commission	62%
Hecla Island/Falcon Lake Golf Course	59%
Manitoba Pubic Insurance Corp	47%
Manitoba Lotteries	34%
Manitoba Hydro-Electric	19%
None of the above	4%



3. Please identify the top three areas where the provincial government should reduce spending? (combined 1st, 2nd and 3rd)

Cultural grants	69%
Business grants & loans	59%
Arts grants	58%
Sports grants	50%
Public sector salaries	36%
Family services	4%
Health care	4%
Education	4%
Undecided/No answer	3%

4. If provincial taxes were to be cut which three taxes would you give the highest priority for reducing or eliminating? (combined 1st, 2nd and 3rd)

Gasoline tax	69%
Personal income tax	65%
Provincial sales tax	59%
Education tax	30%
Health & payroll tax	27%
WCB premiums	14%
Corporate income tax	12%
Corporation capital tax	10%
None of the above	1%

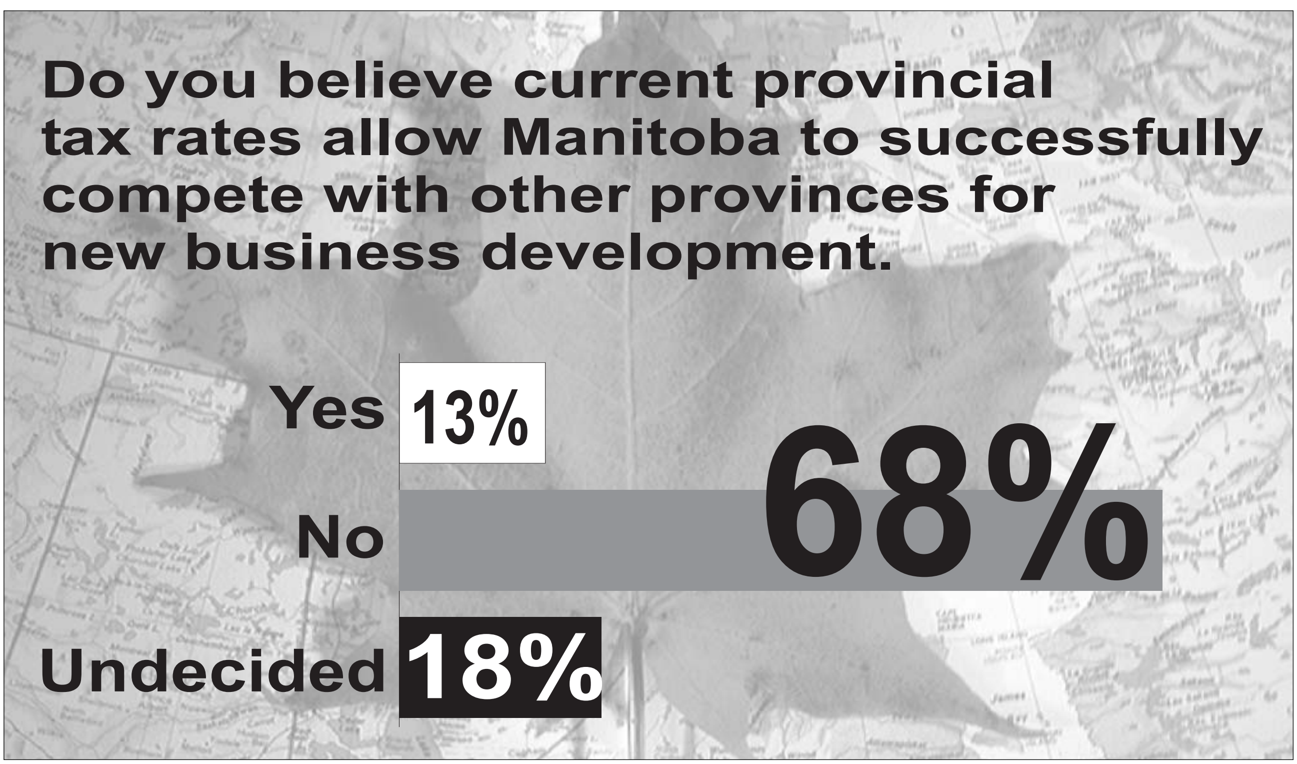
5. What 2 elements or ingredients are most important to you in a health care system? (1st and 2nd combined)

Timeliness of care	53%
Quality	39%
Universality	26%
Cost effectiveness	24%
Accessibility	23%
Portability	11%
Choice (of physician & treatment)	11%
Publicly funded	5%
Comprehensiveness	3%
No answer	1%

6. Would you support abolishing the Indian Act?

Yes	73%
No	4%
Undecided/No answer	23%

Thank you to all supporters that responded. Your feedback is important and allows us to communicate your concerns to government in an effective manner.■



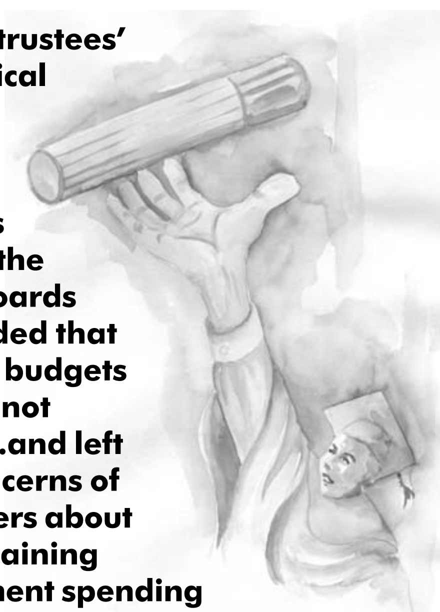
Provincial government decision to take over school boards rates an A+

by John Williamson

Many people, including concerned parents and even teachers, might think the decision by the province of Ontario to assume control of school boards in Toronto, Ottawa and Hamilton is but another political turf war over who does what, and who should have responsibility over education: It is not.

Since September, opponents of the takeover have framed the debate around the province's commitment to education (read: how much is being spent), and who knows best for students — Queen's Park or school boards. While this is an important issue it is merely a sideshow away from the real story — which is the responsible and efficient use of tax dollars. At issue here are more basic principles: issues like accountability, sound decision-making and fiscal responsibility.

"In the trustees' ideological zeal to solve societal problems through the school boards they decided that balanced budgets did not matter...and left the concerns of taxpayers about containing government spending completely out of the equation."



Before the province took control of the school boards it first investigated, and reported on, the proposed deficit budgets, which the boards had submitted this summer. The deficit spending forced the province to step in because they violated the Ontario Education Act (by law school boards cannot table budget deficits), and signalled that trustees were not willing to do their jobs.

A cursory review of the audit reports into the financial affairs of the school boards makes it clear trustees in each of the three cities did not believe the rules of the game — be it safeguarding tax dollars, making the necessary financial decisions to ensure a program's budget integrity, and cutting out waste —applied to them.

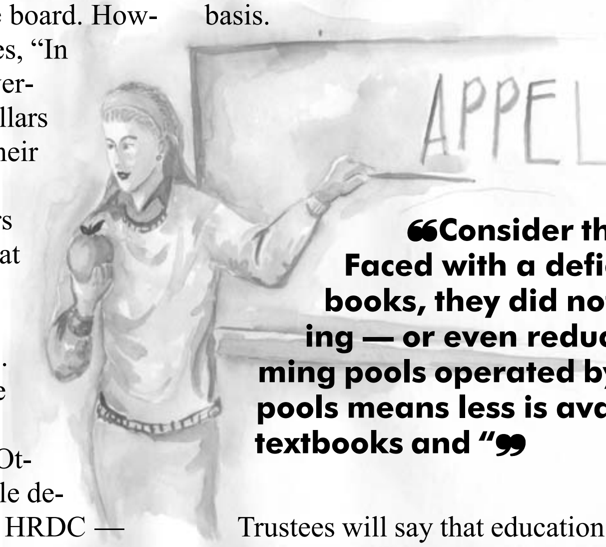
In the trustees' ideological zeal to solve societal problems through the school boards they decided that balanced budgets did not matter, regarded planning as an inconvenient afterthought, avoided making tough spending and program decisions, and left the concerns of taxpayers about containing government spending completely out of the equation. The Toronto report noted that: "To some trustees, virtually every societal issue is thought to have education roots." And because of this the trustee motto apparently became: "Whatever we spend the government — and the people of Ontario — will pick up the tab."

This is, after all, how the trustees have typically done business. Between 1985 and 1995, when school enrolment in Ontario jumped by 12%, school taxes rocketed by 120%. No wonder the province removed their powers to tax, handing them a block grant to spend instead.

But, of course, we know that Ontario voters — at both the provincial and federal levels — have rejected thoughtless open-ended spending. They demand from their politicians a commitment to control costs and spend their money

wisely. And there is no reason why these standards should not also apply to local governments and school boards.

In addition to red ink spending, trustees misallocated monies earmarked by the province for the transition to the new education standards. Instead of classroom activities, these funds were spent elsewhere. In Toronto, nearly one billion dollars of transitions funds was provided to the board. However, the report notes, “In essence, the taxpayer-funded transition dollars were not used for their intended purpose.”



Ontario taxpayers should be outraged at the schoolboards cavalier attitude to spending tax dollars. Indeed, the last time a billion dollars was misappropriated in Ottawa — inside a little department known as HRDC — taxpayers across the country were outraged.

The mismanagement in these three school boards is systemic. Not only were monies spent on non-funded programs, trustees did not make the decisions to prepare for the future and maximize real cost savings, such as closing old and amalgamating underutilized schools. The trustees locked in sweetheart union deals that today prevent necessary reform and result in taxpayers not getting value for their dollars.

School trustee inaction in Ottawa on efficiency proposals led to budget deficits. Much of the transition money was misused, and trustees were not motivated to find cost efficiencies. Many of the problems, we are told, could have been avoided through the gradual implementation of effective cost controls. But trustees expected provincial taxpayers shell out more dollars to cover their deficit.

In Hamilton, the investigation determined that trustees failed to set priorities or outline a plan to ensure that taxpayer dollars were spent to deliver education on a financially effective and efficient basis.

“Consider the trustees in Toronto, again. Faced with a deficit and children sharing textbooks, they did not, for example, consider closing — or even reducing — any of the 84 swimming pools operated by schools. Money allocated to pools means less is available for other needs, like textbooks and “”

Trustees will say that education is “underfunded.” But the facts say otherwise. The province’s other 69 school boards all submitted balanced budgets. If the three discredited boards are short of funds it is because they failed to weigh the opportunity costs of one choice over another.

Consider the following:

Ontario spending on education, at $1,158 per capita is the third highest of all provinces. Alberta is highest at $1,325 and Saskatchewan is second at $1,169. Yet in Ontario, 70 cents of every education dollar is spent on salaries versus 54 cents in Alberta and 60 cents in Saskatchewan.

When it comes to spending money on education, Ontario is in the top tier, but not enough of the money is being spent on students’ needs. The problem with our education system is not a lack of resources, but mismanagement and poor decision-making by local authorities.

Consider again the trustees in Toronto. Faced with a deficit and children sharing textbooks, they did not, for example, consider closing — or even reducing — any of the 84 swimming pools operated by schools. Money allocated to pools means less is available for other needs, like textbooks and “special needs” requirements. Rather than make hard but responsible choices, the trustees choose to submit red ink budgets.

Trustees in Toronto, Ottawa and Hamilton made it clear they just don’t care about Ontario taxpayers. They seem to believe they can spend excessive amounts of money with reckless disregard for the law, the needs of students, and fairness to taxpayers. Ontario taxpayers had come to hope that such attitudes had died out. But this is not so, and the fight for fiscal responsibility goes on.

By acting decisively and taking control of these three school boards to keep them accountable, the Ontario government acted to avoid future budget deficits and protect the interests of all taxpayers. The decision to take over the school boards in Toronto, Ottawa and Hamilton was correct.■

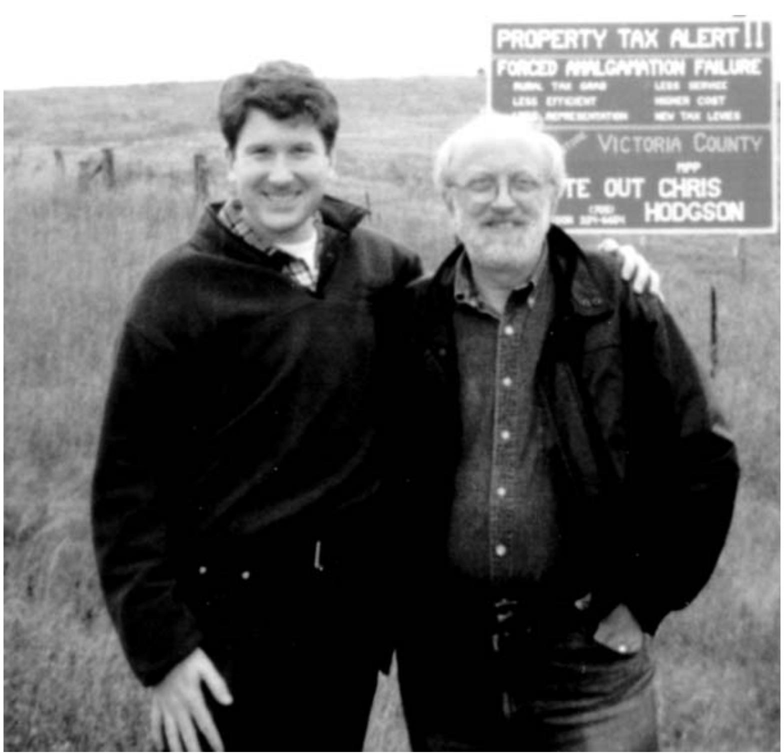
Fighting back....

by John Williamson

It is always difficult for voters to grab the attention of lawmakers. But when the Victoria County Taxpayers Coalition erected a billboard near Highway 35 calling on the Ontario government to dismantle the amalgamated City of Kawartha Lakes and restore the former municipalities their message was heard loud and clear.

The homemade sign warning motorists that property taxes have risen by some 35% since amalgamation was placed in the riding of Municipal Affairs Minister Chris Hodgson, the MPP for Haliburton-Victoria-Brock. It called upon residents to "vote out MPP Hodgson" if amalgamation was not reversed. The billboard went up in October and stood for 24 hours before Mr. Hodgson was on the phone calling for a truce, agreeing to work with the tax coalition to solve this problem. Locals consider Hodgson to be a friend to taxpayers and agreed to cover the sign and "give him some breathing room."

But the pressure — and voter anger — was not limited to raising a billboard. What grabbed the minister's attention was a series of meetings and direct action. Fortunately for taxpayers, unfortunately for Mr. Hodgson, one of his constituents is former CTF Ontario director Paul Pagnuelo who has been busy coordinating the tax revolt in central Ontario. He has helped organize and pack a series of town hall meetings — one attended by 650 people — and more are planned. Another group, Voices of Central Ontario, delivered a petition to Queen's Park signed by 11,000 citizens demanding the provincial government restore local government in Victoria County.



Ontario director John Williamson (left) and former CTF Ontario director Paul Pagnuelo standing in front of the billboard fighting back against a 35% increase in property taxes.

The two-year old amalgamated City of Kawartha Lakes combined Victoria County, the town of Lindsay with 15 other municipalities. It has been wildly unpopular. Spend-happy councillors have increased taxes on residents to pay for services available only to city residents. The desire among taxpayers to pay only for those services they receive has fuelled the campaign to restore local government that is accountable to voters.

So when the Kawartha Lakes Council met on November 12 to debate the issue, Minister Hodgson sided squarely with concerned taxpayers. Reading the handwriting on the wall, Council voted to give voters a say on how they are governed by agreeing to hold a referendum. The Victoria County Taxpayers Coalition was handed a victory in record time: From the day the first town hall meeting was organized it took only 43 days for the referendum to win approval.

The implications of the campaign in Victoria County could be felt throughout rural Ontario. An amalgamation

reversal would be the first triggered by voters with the PC Ontario's approval. Even if voters chose to keep their new mega-municipality by rejecting the referendum question, taxpayers in other amalgamated towns could still press the province for their own vote. If the government refused, billboards targeting Tory MPPs could spring up across the province.

"The homemade sign warning motorists that property taxes have risen by some 35% since amalgamation was placed in the riding of Municipal Affairs Minister Chris Hodgson, the MPP for Haliburton-Victoria-Brock."

Throughout the province of Ontario municipal taxes are rising for no good reason. As out-of-touch councillors press for more spending and taxing powers they are increasingly neglecting their primary responsibility, which is to provide basic municipal services at a reasonable cost. The issue of rising taxes and amalgamation will not disappear. After all, how difficult is it for taxpayers to organize themselves, hold town hall meetings, raise a billboard and be noticed…particularly by a government that claims to be against tax increases?■

TaxFighter of the year?

If taxes are the price we pay for a civilized society then fines represent the price we pay for wrongdoing or even lawbreaking. But try telling that to Rob Ford, the Toronto city councillor for Etobicoke North.

As the city's lowest spending elected member, Ford is in hot water for using his own money to pay for job-related expenses instead of milking taxpayers. If his fellow city councillors have their way he could be fined, locked out of his office or even removed from office. They are upset that Mr. Ford spent only $2.04 from his office budget in the first half of 2002.

Taxpayers, however, were rightly impressed, particularly when other city councillors think nothing of fleecing taxpayers. Each councillor is allotted an annual office budget of $53,100 and as of June 30, Councillor George Mammoliti (York West) spent $30,711 of his budget; federal NDP leadership candidate Jack Layton (Toronto-Danforth) spent $25,843; and the big loser for taxpayers is Joe Mihevc (St. Paul's). So far he has rung up a $35,085 tab.

Rob Ford - A politician who pays his expenses out of his own pocket...

Ford admits he does spend somewhere between $400 and $500 on office expenses each year, but he simply takes it from his $85,000 annual salary. This is admirable.

But Toronto council says it is wrong. In a 30-5 vote it moved to clip Ford's wings by passing a motion that no councillor can spend his own money on office related expenses. In effect, the council ordered the elected members to spend the taxpayers' money.

Happily, Councillor Ford will have none of it regardless of the consequences. "All I can say is hell will freeze over before I will spend taxpayers' money out of my office budget to support myself and my own enhancement in society," he said.

Councillor Pam McConnell (Toronto Centre Rosedale) was incensed. "Well, if the councillor cannot adhere to the regulations of the Municipal Act, I think it should be more than a censure," she howled. "I think eventually there should be a progressive discipline that should happen. Maybe at first a personal fine, maybe closing their offices and locking it up, and maybe, actually a removal from office."

Ontario's Municipal Act provides councillors with the authority to order councillors not to spend their own money, but no penalty was listed in the motion passed by council. And how could there be? "It's my own money. No one can tell me what to do with my own money," says Ford, making a good point. Governments can tax-and-spend our money as they please, but surely they cannot tell Canadians how to spend their hard earned after tax dollars.

Has the CTF found its TaxFighter of the year?■